



# NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

## THESIS

**ORGANIZED CRIME AND NATIONAL SECURITY:  
THE ALBANIAN CASE**

by

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March 2004

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**ORGANIZED CRIME AND NATIONAL SECURITY  
THE ALBANIAN CASE**

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Submitted in partial fulfillment of the  
requirements for the degree of

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## **ABSTRACT**

This thesis argues that the building of democratic institutions in new democracies was and still is a painstaking task. It shows that the new institutions are fragile and at times unable to cope with powerful organized criminal syndicates, rampant corruption, illegalism, elite bureaucratic cartels, and weak judicial systems still in the process of post communist reconstruction, extreme concentration and personalization of power.

This thesis proceeds from the premise that organized crime constitutes a threat to democracy, in particular a serious threat to new democracies and subsequently to the national security of the country. The first section defines organized crime as phenomena corroding the democratic institutions. It deals in particular with the fragility of the new democratic institutions focusing mainly on the organized crime activities that threaten the national security and the challenge posed to democratic development of Albania. It tackles problems of corruption in government and law enforcing agencies. Secondly, it considers issues of merging of crime and legal business and their impact on the institutions and society at large. Thirdly and most importantly it focuses on the fact that organized crime merges with the State machinery, thus undermining the very existence of democratic institutions. Fourthly, it looks into some forms of criminal activities such as drug business, weapons trade, money laundering, and white-slave trade. Finally it provides some policy recommendations for tackling the organized crime in Albania.

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## **LIST OF ABBREVIATIONS/ACRONYMS**

<b>ACER</b>	<b>Albanian Center for Economic Research</b>
<b>AID</b>	<b>Anti-mafia Investigation Directorate</b>
<b>CIA</b>	<b>Central Intelligence Agency</b>
<b>DP</b>	<b>Democratic Party</b>
<b>DoD</b>	<b>Department of Defense</b>
<b>EU</b>	<b>European Union</b>
<b>EUROPOL</b>	<b>European Police</b>
<b>FYROM</b>	<b>Former Yugoslav Republic of Macedonia</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>ICITAP</b>	<b>International Crime Investigation Training Program</b>
<b>IMF</b>	<b>International Monetary Fund</b>
<b>INTERPOL</b>	<b>International Police</b>
<b>LDK</b>	<b>Democratic League of Kosovo</b>
<b>MoPO</b>	<b>Ministry of Public Order</b>
<b>NATO</b>	<b>North Atlantic Treaty Organization</b>
<b>NCIC</b>	<b>National Crime Information Center</b>
<b>OIC</b>	<b>Office of Internal Control</b>
<b>OSCE</b>	<b>Organization for Security and Cooperation in Europe</b>
<b>OMRI</b>	<b>Open Media Research Institute</b>
<b>SDC</b>	<b>Society for Democratic Culture</b>
<b>SFRY</b>	<b>Socialist Federal Republic of Yugoslavia</b>

<b>UN</b>	<b>United Nations</b>
<b>USA</b>	<b>United States of America</b>
<b>UK</b>	<b>United Kingdom</b>
<b>USD</b>	<b>United States Dollar</b>
<b>UNDP</b>	<b>United Nations Development Program</b>
<b>WB</b>	<b>World Bank</b>

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# **I. INTRODUCTION**

## **A. BACKGROUND AND PURPOSE OF THE THESIS**

In today's world, all countries treat organized crime as a national security threat and in new democratic countries as a serious challenge and threat to democracy. When we speak today of "national security," we mean more than just "military security." A nation must be secure both within its borders and outside its borders. Security, when viewed from this perspective, takes on a new dimension.

With the termination of monopolistic and centralized one-party rule, many Eastern European countries experienced a counter phenomenon of political fragmentation, institutional weakness, legal confusion and official corruption. Albania represents one of the most poignant examples of such developments.

Albania remained for the most part of the 1990s a weak state where central and local government restored public order with difficulty. Equally, if not more worrisome has been an evident symbiosis between politics and crime, whereby politicians and security forces get into corrupt practices and criminals control substantial sectors of the economy.

During the 1990s Albania became a transit point for cross-Balkan smuggling and a trafficking route. It also developed a vibrant home industry of crime in which the state loses enormous amounts of money each year in customs and tax evasion,<sup>1</sup> while members of the administration as well as police chiefs profit from corruption and criminal involvement.<sup>2</sup>

Criminal gangs in Albania have no political affiliation or ideological loyalty. They are opportunistic and gravitate toward those in power so they can bribe or bypass officialdom. Criminality has become both a symptom and a cause of Albania's political paralysis.

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<sup>1</sup> IMF has noted that the system is still characterized by "pervasive smuggling, underreporting on invoices, falsification on balance sheets and a general weakness in (tax) law enforcement". International Monetary Fund, Albania, Selected Issues and Statistical Appendixes, Country Report, No. 03/64 (Washington DC, March 2003) 25-26.

<sup>2</sup> In its First Evaluation Mission Report on Home and Justice Affairs, released October 22, 2002, an EU Commission team states that "the experts were told for example, the post of the airport chief of police costs \$ 250.000 a year. For the General Director of Police, 1 million dollars is paid.", 48.

In every country citizens harbor unique feelings and beliefs about their political leaders and institutions. Whatever the attitudes and beliefs, they form the political culture of the nation and both reflect and shape its politics. But to understand Albania and its current political landscape, one should bear in mind its 50 years isolation from the world. This long period of absolute darkness resulted in adverse political socialization that needs some explanation.

With the change of the system, the patterns of political socialization were also changed bringing thus total confusion. Discontinuity of the political system brought a radical change in the political outlook of Albanians. A new political culture is being molded, the old values are constantly being transformed and new ones are being introduced. During this process, the social fabric was torn apart and, if it is true that each new generation builds on what it receives from the past, then one can imagine the consequences Albania is facing nowadays. A social disorganization of the entire society ensued. Organized social life, as it used to be under communism, was now outdated; yet the new societal behavior was not yet in place. Moreover few, if none, knew what that form would be.

Because for 50 years the communist government was responsible for every sector of the society, alternative mechanisms to serve as safety nets were not in place. The opening of markets brought in foreign competition. Many factories closed because they could not compete in cost and quality with foreign goods. Technology was old and outdated. It could not be replaced in time and obviously could not be subsidized any more. Unemployment soared as never before. Many Albanians crossed the borders to the neighboring countries in search of work. Many families were divided across borders. Phenomena like divorce, abortion, family violence and crime skyrocketed. "Social disorganization prevails when a society in the face of disturbances loses the ability to re-establish concerted behavior. Such a society may be said to have lost orientation. This implies an absence of common objectives between individuals and groups of individuals, represented especially in conflicting values, which are referred to as the 'heart of social disorganization.'" <sup>3</sup>

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<sup>3</sup> Herbert Blumer Social Disorganization and Individual Disorganization, in *Mass Society in Crisis, Social Problems and Social Pathology*, (Macmillan N.Y.1968), 60.

The chaotic way, which characterized Albania's entry into modern life, was accompanied by the erroneous philosophy of "the-end-justifies-the-means". It was easily absorbed by a society long plunged in chaos and poverty and, the subsequent appeal it had on a disorganized society where every one was 'running' to grab what was perceived to be his part of "contribution" to the society, unjustly taken from him by the communist regime, had a perverse effect on the positive cultural values that existed and which were inherited from the traditional past.<sup>4</sup>

Weak institutions, no proper knowledge or education on capitalism, and an ineffective state added to the total chaos. Passing from a tough dictatorial regime to a new political setting where freedom and liberty was preached (yet not understood), where people would consider democracy as 'absolute freedom' and thus defy law and institutions provided a fertile ground for crime to lay roots. "A society which tolerates an ineffective set of institutions for securing justice and preserving order is divided and at war with itself. The individual citizen under such circumstances theoretically has the full complement of liberties... but in actuality they are more or less without effect. He is at the mercy of quasi official forces operating outside the law."<sup>5</sup>

The dire economic situation, ineffective state, lack of democratic institutions, loss of life security coupled with conceptual aberrations on democracy led to a self-reliant<sup>6</sup> mentality, quite unique for Albania. The power and moral vacuum, the inability of collective conscience to regulate the society, the 'mental mutilation' produced what is called a shadow- state, a state operating outside the law. Thus, Emile Durkeim notes that

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<sup>4</sup> The term traditional past is used as opposed to the communist past. In *Deprivation as a Cause of Delinquency: Economic or Moral*, Bernard Lander and Nathan Lander state that "Poverty is less highly correlated with crime in Southeastern Europe than in the United States. In the Southeastern Europe the culture does not emphasize success goals based upon pecuniary affluence as a desirable and achievable by all strata." Bernard Lander and Nathan Lander, *Deprivation as a Cause of Delinquency: Economic or Moral?* In *Mass Society in Crisis, Social Problems and Social Pathology* (Macmillan N.Y. 1968) 131.

<sup>5</sup> Bernard R., Israel G. and William H., eds. in. *Mass Society in Crisis, Social Problems and Social Pathology*, (Macmillan N.Y. 1968) 163.

<sup>6</sup> Self-reliance was the absolute credo of communist regime. Trying to justify its self inflicted isolationism and uniqueness of the so-called Albanian version of communism; Albanians were imbued with the idea of self-reliance in order to preserve the communist principles. The idea of self-reliance apparently was inculcated in the masses' sub conscience.

“human passions stop only before a moral power they respect. If all authority of this kind is wanting, the law of the strongest prevails”.<sup>7</sup> This is what happened in Albania.

Political choices after the fall of communism were also seriously flawed. One source of the problem was the immediate replacement of the entire administration, following the change of system, with supporters of the ruling party, mostly untrained and unprofessional. More serious was the effect it had on the police force and in particular the judiciary. Regarding the latter, politically affiliated, untrained people replaced the entire body of lawyers and judges. The police force too, became a victim of politicization. Becoming a policeman necessitated only that you prove you were a member of the ruling party.<sup>8</sup>

Due to such a situation, Albanians returned to old patterns of settling accounts by themselves. The so-called *Kanun* of Leke Dukagjini re-emerged from history. In his book *Kosovo, A Short History*, Malcolm writes that *Kanun* is associated “above all with the archaic and terrible laws of the blood feud; and some news reports on the revival of the blood-feud in post communist Albania have given the impression that the *Kanun*, which is now being implemented in the *Malësi* is nothing more than a system of vendettas.”<sup>9</sup>

Albania has proved to be a bountiful land of opportunity for assorted criminal elements, organized gangsters, and corrupt officials. The varieties of criminal activity can be divided into three broad categories: domestic gangs, international crime syndicates, and politically connected networks that prey on the disintegration of the state economy. All three forms of criminality have prospered not only because the forces of law and order were left unprepared, but also because well-connected politicians and security officials themselves benefit from "robber capitalism" and illicitly acquired funds.

In the domestic context, local gangs who can bribe poorly paid or corrupt police officials thrive on the new availability of weapons and the fear or gullibility of large

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<sup>7</sup> Emilie Durkheim, quoted in Lander and Lander “Deprivation as a Cause of Delinquency: Economic or Moral?” in *Mass Society in Crisis, Social problems and Social Pathology*, Bernard R., Israel G. and William H. eds., McMillan, New York, 1964.

<sup>8</sup> In the period between 1992-1994, the then government organized six month training courses mostly for people affiliated to the ruling party to become judges and lawyers. However incredible it might look, the fact is that these people were running the judicial system in Albania. Most of them are still in the judiciary.

<sup>9</sup> Noel Malcolm, *Kosovo A Short History*, (HarperCollins, New York 1999), 18.

sectors of the population. Robbery, murder, drug smuggling, prostitution, and money laundering have been on the rise in recent years, and the police are overwhelmed by the scale of the problem. Mobsters have filled the legal limbo between communism and an embryonic market economy. Domestic gangs either cooperate or compete with well-organized international syndicates. These new "multinationals" focus primarily on smuggling, including weapons, drugs, stolen goods, and people. Racketeers also smuggle refugees from the country, the region and the Third World into the EU for a substantial fee. Drug traffickers also revived the traditional Balkan route between Asia and Western Europe after UN sanctions against Yugoslavia were lifted. Thus The Guardian of May 26, 1999 notes: "Arms smuggling from Albania into Kosovo and Macedonia started at the beginning of 1992, when the Democratic Party came to power [in Albania], headed by President Sali Berisha. An expansive underground economy and cross-border trade in oil, arms and narcotics had developed largely as a result of the embargo imposed by the international community on Serbia and Montenegro and the blockade enforced by Greece against Macedonia."<sup>10</sup> Heroin, hashish, and cocaine from Turkey, Pakistan, Afghanistan and the Middle East are again flooding the European market. Many local couriers as well as officials benefit from this lucrative trade. Meanwhile, customs officials lack the necessary equipment to detect the drugs.

As economies deteriorate, organized crime invariably escalates. Violent attacks have soared as a method for settling scores between Mafia-like business groups.<sup>11</sup> Such phenomena can destabilize the transition process. Albania is the most dramatic example of how illicit businesses in conditions of economic crisis can trigger political

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<sup>10</sup> Also, in CIA country report 2002 it has been stated that : " Increasingly active transshipment point for Southwest Asian opiates, hashish, and cannabis transiting the Balkan route and - to a far lesser extent - cocaine from South America destined for Western Europe; limited opium and growing cannabis production; ethnic Albanian narcotrafficking organizations active and rapidly expanding in Europe; vulnerable to money laundering associated with regional trafficking in narcotics, arms, contraband, and illegal aliens." CIA - The World Fact book 2002, Albania. Located at [www.cia.org](http://www.cia.org)

<sup>11</sup> In a report to the OSCE Permanent Council, Ambassador Osmo Lipponen, head of Mission in Albania states that "Recent attacks on some prominent businessmen have generated tensions within the business community, who feel threatened". Report to the Permanent Council, 5 June 2003, 8. Located at [www.osce.org.al](http://www.osce.org.al). (20 August 2003).

instability. The collapsing pyramid schemes in 1997 not only left masses of Albanians destitute but also undermined the country's security and political stability as public revolt spread through the country.

The stability of the country therefore depends as much on effectively combating organized criminality as on emphatically pursuing market reforms. Without an effective anti-syndicate campaign alongside economic progress and honest market competition, an increasingly pauperized and desperate public may be prone to inciting the social unrest that fuels political instability. Crime fighting and corruption-busting must become central elements of market reform. Furthermore, the governing parties have unfairly dispensed privileges to a politically loyal elite, and the legal system is yet unreformed or tied to party state interests. This makes corruption and mismanagement endemic. Serious economic decline in conditions of political favoritism, organized corruption, and social revolt can propel the country toward either internal chaos or authoritarian rule. In his report to the Permanent Council of OSCE, Osmo Lipponen, Head of Mission, stated that "efforts to change the everyday economic and social realities are not yet producing enough progress (and) there lies the danger for feeding new social and political unrest."<sup>12</sup>

If organized crime spreads, prospers, and gains stronger political influence, Albania's progress will suffer significantly. This will undoubtedly affect its security. Instead of assisting the country in entering the NATO alliance and EU, European leaders might try to shield their countries from the security risks emanating from it. This would in effect isolate Albania from the rest of Europe on a long-term basis.

## **B. RESEARCH QUESTIONS**

Based on the above, this thesis will argue that the building of new democratic institutions was and still is a painstaking task. It will show that the new institutions are fragile and at times unable to cope with powerful organized criminal syndicates, rampant corruption, illegalism, elite bureaucratic cartels, and weak judicial systems still in the process of post communist reconstruction, extreme concentration and personalization of power.

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<sup>12</sup> Ibid.

The thesis will strive to answer such questions as: Why did organized crime rise in Albania? Which activities of organized crime threaten national security? What is the impact of organized crime on national security? What effects has it had on achieving stable democracy? This thesis will also explore what efforts have been made to combat it? How well have they worked? It also considers problems for the future cope with the phenomenon. What else should be done? Is the fight against organized crime winnable? What is the role of international co-operation in the fight against organized crime?

### **C. CHAPTER OUTLINE**

This thesis precedes from the premise that organized crime constitutes a threat to democracy, in particular a serious threat to new democracies and subsequently to the national security of the country. The first section defines organized crime as phenomena corroding the democratic institutions. It will deal in particular with the fragility of the new democratic institutions focusing mainly on the organized crime activities that threaten the national security and the challenge posed to democratic development of Albania. It will tackle problems of corruption in government and law enforcing agencies. The populace perceives corruption and crime to be an inevitable result of liberalization. Therefore citizen support of democracy and market reforms weakens. Elected officials, once they are perceived as corrupted by the organized crime, are unable to retain the trust and confidence of the populace. Secondly, it will consider issues of merging of crime and legal business and their impact on the institutions and society at large. Thirdly and most importantly it will focus on the fact that organized crime merges with the State machinery, thus undermining the very existence of democratic institutions. Many criminals are trying by all means to get into the organs of power: to become a Member of Parliament, a mayor, and a high-ranking official. Fourthly, it will analyze some forms of criminal activities: drug business, weapons trade, theft of cars, white-slave trade abroad, human organs and radioactive materials trade, contract murders. We will prove that all these elements, separately or jointly, do have an impact on the security of the nation.

Profits generated by drug trafficking are so immense that the economic stability of virtually any country could be held hostage by criminal groups, should it be in the interest of a group to wield such leverage. The magnitude of the profits serves as a powerful

weapon for criminal groups seeking to influence vulnerable governments. Criminal groups have become heavily involved in illegal, international arms trafficking. Groups have capitalized on the availability of surplus weapons and decreased border controls, as well as the presence of strong market demand. Criminal groups have demonstrated their proficiency in acquiring a wide range of weapons in a variety of social and political theaters.

To substantiate our findings we will bring two real life cases, exemplifying the impact the organized crime has on the economic and political life of a country. Thus chapter three of the thesis will investigate the case of the pyramid schemes and their devastating consequences as well as the general parliamentary elections of 1996. Through these two extreme scenarios we will try to clearly demonstrate the impact organized crime can have on a new democracy and a society and consequently to the national security of the country itself but also to the security of neighboring countries.

By the end of 1996, tens of thousands of Albanians put their savings and earnings into at least ten major fraudulent pyramid schemes that were not predicated on the infusion of capital into a new company or real estate but, rather, on the magical allure of making money from nothing. The promoters offered no explanations of how profits would be made. The Albanian Government was implicated in this disaster. The ruling party received endorsements- and substantial financial support- from some of the biggest pyramid schemes. Moreover, the leadership studiously ignored warnings from the International Monetary Fund in late 1995 and throughout 1996. Also “the government’s lax control of a thriving arms and drug traffic across Albania’s frontiers may have encouraged development of the pyramid schemes, which apparently got some of their startup money from these illegal enterprises.”<sup>13</sup>

We bring these two cases to exemplify the impact organized criminal activities have on new democratic institutions in general, and in particular the security ones. During the pyramid schemes crisis security institutions such as intelligence services, the army and the police became mere tools of a corrupt, criminal political clique. This led to the almost destruction of such institutions. During 1995-1996, the phenomenon of

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<sup>13</sup> Minton Goldman, Albania in *Global Studies: Russia, The Eurasian, and Central/Eastern Europe* (Dushkin/McGraw-Hill, Connecticut, 1999) 125.



pyramid schemes was widespread in Albania. The majority of Albanians did not work at all and secured their existence with the money invested in these schemes. Their collapse therefore caused a strong reaction among the Albanians, which culminated in an uprising against government policy. In 1997 the state institutions ceased to exist and the state itself collapsed within a few hours. Buildings in which courts, the prosecutor's office and local power were located were destroyed, followed by the storming of prisons and the release of all prisoners. The police were faced with enormous problems during this period of chaos and suffered huge material and human loss. Official data point to 61 police officers being killed and 154 seriously injured. According to unofficial data, in 1997 firearms killed more than 2,000 persons, over 200 drowned while crossing the sea in an attempt to migrate to other countries, some 100 people were victims of traffic accidents, and many girls were kidnapped and hired as prostitutes in neighboring countries.

Though the spark that set off the country's crisis was the collapse of the pyramid schemes, the underlying reason was Government's disregard for the rule of law and a persistent pattern of human rights violations. "The Berisha administration tolerated the pyramid investment scams and even encouraged people to invest, despite warning from the international financial institutions. Evidence is beginning to emerge that some of the schemes had direct government ties and were dealing in the illegal trade of oil, arms and drugs."<sup>14</sup>

During the unrest between January and March 1997, incredible amounts of military equipment disappeared (and partly reappeared during the Kosovo conflict): 38,000 handguns, 226,000 Kalashnikovs, 25,000 machine-guns, 2,400 anti-tank rocket launchers, 3,500,000 hand grenades, 3,600 tons of explosives. Even though organized crime groups were probably unable to "control" the situation, it seems clear that they did profit from the chaos by acquiring a great number of weapons. Albanian organized crime also profited from the financial pyramids, which they seem to have used to launder money on a large scale. Before the crash, an estimated 500 to 800 million USD seem to

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<sup>14</sup> Fred Abrahams, Albania, A Briefing Published by Interhemispheric Resource Center and Institute for Policy Studies, Human Rights Watch, *The Present Situation in Albania*, May 23, 1997, briefing of the US Congress, Commission on Security and Co-operation in Europe, Washington, DC, 35. Located at [www.csce.gov/helsinki.cfm](http://www.csce.gov/helsinki.cfm). (14 September 2003).

have been transferred to accounts of Italian criminal organizations and Albanian partners. This money was then reinvested in Western countries.

The institution of the vote was also marred by fraud and was seriously compromised. The 1996 general elections present a clear case proving the above. Both cases are closely interrelated but for the sake of explanation and methodology they will be tackled separately. Albania's democratic shortcomings culminated in the severely flawed parliamentary elections of May 1996. During the vote count on election day ballots were flagrantly invalidated by polling committees to the detriment of opposition candidates and parties. Rival gangs representing the opposing parties increased their fighting during the election campaign, allegedly because whichever appeared to have the upper hand could count on obtaining the votes of the local population. Even when gang activity was related to drug smuggling or other criminal activity, voters felt threatened and unable to view the elections beyond their immediate desire to obtain greater security. The result, 122 of 140 seats going to the Democratic Party, was a clear signal that pluralism in the country was endangered. International observers called for partial or complete return of the elections.

The review of the most dangerous forms of modern crime naturally brings in a question: What to do? How, with what means and methods one should struggle against organized crime? This issue is being dealt with in the last chapter of the thesis.

Actually there are at least three schools of thought regarding the responses to the organized crime threat, namely the one suggesting that there will be a gradual legitimization of criminal capitalists. According to this idea, although the first generation of capitalists (in post communist societies) are more concerned with capital accumulation rather than with the means of achieving it, they will want their sons and daughters to be legitimate, with the result that there will be a gradual transition from illicit to licit business. In short there will be a gradual cleansing process.<sup>15</sup>

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<sup>15</sup> In the last couple of years in Albania the idea of fiscal amnesty has been advanced several times. Following this idea, people will not be punishable by law for the ways they made their money in the past, but once the law is passed then severe penalties will be ensued if the source of the money is not declared.

The other school of thought suggests that organized crime could become the dominant force. Once criminal organizations have consolidated their positions within the society then it is very difficult to remove them, especially when symbiotic relationships have been established with the political and economic elites. In essence the idea is that instead of the legitimization of criminal capitalism and criminal organizations by the licit economy, the process is marked by corruption becoming an all-pervasive phenomenon leading ultimately to a collusive relationship between the state and the organized crime.

The third school of thought, shared by the author, is that organized crime can be fought successfully once its root-causes are identified and clear strategies are put in place.

This thesis will follow a two-prong approach. It will seek to thus identify the causes and subsequently provide policy recommendations to remedy them. Regarding the latter, we will take stock from the experience of countries that have dealt successfully with the issue such as Italy, Greece and the United States. Personal experience will also provide an important ingredient to this issue. The author will make intensive use of government documents (both classified and open source) as well as from various publications from specialized international organizations. Academic and think tank reports will constitute a substantive source of reference. Last but not least, media sources, in particular international, non-partisan media reports on key events in Albania will be used.

It is deemed necessary by the author to follow this line because of the almost total lack of analysis and literature on the subject in Albania as well as meager, almost non-existent policies fighting organized crime. There is not a strategy *per se* and the fight against organized crime is being waged sporadically and unsystematically.

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## **II. ALBANIAN ORGANIZED CRIME - MYTH OR REALITY?**

### **A. ACTIVITIES OF ORGANIZED CRIME THREATENING NATIONAL SECURITY**

This chapter will strive to provide a brief account on the existence of organized crime in Albania. It will first explain the social context in which it laid roots, legacies of the past and how the change of system impacted social behavior of the Albanians. A more detailed analysis of the factors explaining the emergence of organized crime and the main reasons that facilitated its expansion will follow. In order to be able to understand how organized crime functions and to gain knowledge about how organized crime groups have become entrenched in society, it is deemed important to provide some insights on the very structure of Albanian organized crime. Finally, through presenting some of the main activities of Albanian organized crime such as human trafficking, drugs and arms dealings and money laundering, the chapter will try to convey the alarming concern that organized crime does not only presents a threat to national security in general, but it strongly affects the nascent democratic institutions and most importantly the lives of Albanian citizens at large.

#### **1. “We Have No Organized Crime in Albania”<sup>16</sup>**

Most Albanians celebrated the end of communism and its centrally planned economy but they could not envisage that the shift to free enterprise had its unintended side effects. For them, organized crime seemed to be an outlandish phenomenon, something you only watched in the movies or the television; as a matter of fact a ‘far away show’ presented by the entertainment industry.

The political change unfortunately created a platform for the growth of the Albanian organized crime. The bones of a bankrupt state were there to be picked. A rapacious new gangster class rose rapidly. In a very short time span, they have managed

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<sup>16</sup> In November 2000, the author was appointed Minister of Interior of Albania. In reply to the question about the existence of Organized Crime in the country, the chorus answer from senior police leadership was: “We don’t have organized crime in Albania”. This led to an analysis of the situation and with the assistance of foreign experts, namely International Crime Investigation Training Program (ICITAP), a different picture was revealed.

to make capitalism synonymous for crime. Together with corrupt officials and politicians and a handful of businessmen, these gangsters plunder the country's coffers.

The amount of organized crime a nation or community has depends on a large number of social, political, and administrative variables. The interplay of these variables dictates how organized criminal violations will be identified and enforced.

Many Albanians did not have much respect for legal institutions under communism (except under threat or fear of persecution), so they started with little confidence in legal institutions such as the police, government and bureaucracy after the end of communism. These institutions represented the tools of repression during the old regime. Loss of state structures resulted in the birth of criminal activities, which further contributed to the loss of state control. In the initial years of democracy, (to a lesser extent nowadays) you would find ordinary Albanians breaking the law with impunity. The dire economic situation justified everything. When an opportunity arose for them to benefit from some corrupt form of activity they would take advantage of that not because they wanted to do that, but because they felt they should, and it was proper to do it.

There are two schools of thought regarding the existence of organized crime in Albania. The first one maintains that Organized Crime does exist in Albania; however it is in its incipient and formative stages.<sup>17</sup> According to this school, there are many small gangs operating independently (horizontally) which have established ties with organized crime elements abroad. In his book "Albanian Mafia a Threat to Europe", Xavier Raufer, a notable French criminologist states: "There are many visible signs showing that the Albanian criminality has reached a high level of organization and sophistication." However, "we cannot yet speak of a proper Albanian Mafia in the strict sense of the term,"<sup>18</sup>, he adds.

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<sup>17</sup> This opinion is shared by most law enforcement officials as well as by foreign experts. Thus in a report prepared by International Crime Investigation Training Program (ICITAP), a US assistance program, in 2000, the above opinion was supported.

<sup>18</sup> Quoted in daily Albanian newspaper *Koha Jone*, August 25, 2003.

The other school of thought maintains that a strong hierarchical Albanian organized crime exists.<sup>19</sup> This structure appears to be double headed- one, and the most senior, has its roots in Kosovo and is active abroad. The other is the new indigenous Albania organized crime, which has established ties with these groups and other mafia organizations throughout Europe to facilitate their trafficking activities.

The following assessment of the organized crime situation in Albania is derived from briefings, conversations, Albanian and foreign governments documents, media (local and international) sources as well personal working experience as Minister of Interior of Albania for the period November 2000-February 2002.

The Albanian organized crime groups are very violent. Their major source of income is derived from trafficking in economic migrants, women, children, drugs, contraband, weapons and automobiles. Albania is an origin and transit country and the criminal elements take advantage of the instability, corruption and lack of organization and resources of the Albanian law enforcement entities. Illicit funds are being laundered back into Albania from abroad to purchase and develop choice properties suspiciously acquired during the privatization program.

Coupled with the white-collar crime, which is more costly and more dangerous to society than street crimes, the scope of organized crime in Albania is incredibly far-reaching. White-collar frauds, such as election frauds, false advertising, and other allied crimes, present a true danger to the Albanian society. Politics, thus, becomes a zero-sum game with outcomes ultimately decided by undemocratic means. Control of the state translates into predatory exploitation of both the formal and underground economies. These large informal power structures continue to operate with impunity from prosecution, suborn or blackmail elected politicians, extort profit from entrepreneurs, and manipulate the media. Dismantling these power structures and ushering in the rule of law has thus become a top priority both locally and

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<sup>19</sup> Ralf Mutschke, assistant director of INTERPOL's Criminal Intelligence Directorate, in his *Testimony on International Crime*, presented to the House Committee on Crime on December 23, 2000, recognizes a hierarchical structure for the Albanian Mafia. Located at <http://www.house.gov/judiciary/3.htm>. (17 October 2003).

internationally. An understanding that securing the environment requires severing the nexus between criminal sources of wealth and political obstructionists remains a top priority.

The nexus between crime and politics is maintained through concealed, informal networks that extend into the law enforcement agencies and the judiciary of the state, resulting in high degree of impunity. Defeating power structures rooted in the nether world of law enforcement operatives, gangsters, and criminals requires committed law enforcement structures. A complete spectrum of law enforcement and criminal justice capabilities, from intelligence to incarceration, is required.

To date, however, exhaustive efforts to obtain accurate statistics regarding this phenomenon have not been satisfactory. Accurate statistics do not exist and the criminal intelligence collecting process is in its incipient phase. There is reluctance on the part of Albanian law enforcers to air the dirty laundry to outsiders and superiors. There is a feeling of uneasiness with criticism, especially foreign, portraying Albanians as playing a major role in drug and prostitution trafficking in Western Europe. Consequently there is a tendency to minimize Albania's role in this activity.

It is similarly true that there is a tendency to overestimate the role of the Albanian organized crime activities. In many cases data and analysis are contradictory. Most concerning are the prejudiced opinions of Western media on Albanians. Thus savagery is seen as one component of a more generally 'elemental' quality of human life, and certainly the 'savage' element has tended to be the focus of images of Albania transmitted by Western media in their portrayal of post-communist events. Derek Hall, in 'Representations of Place: Albania' notes: "Western media images of hundreds of 'ant-like' people clinging to every conceivable piece of superstructure of a refugee ship limping into Italian waters are enduring, and close-up shots of desperate, wild-eyed Albanians conveyed across the world's media a sense of elemental savage."<sup>20</sup>

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<sup>20</sup> Derek Hall, Representation of Place: Albania, *The Geographical Journal*, London, July 1999. Vol.165 Part 2, pg 161.

Also in his book *The World's Most Dangerous Places*, Robert Young Pelton titles the chapter on Albania "The Return of the Albanians". Robert Young Pelton, *The World's Most Dangerous Places*, 4<sup>th</sup> edition (HarperCollins N.Y. 2000), 63.



Albania's situation relative to the rapid increase in crime is not unlike other post communist countries. Corrupt politicians and criminal elements involved in black market activities were pre-positioned to illegally capitalize on the movement to political and economic freedoms. This is compounded by the turmoil extant in the organs of public order at that time. With the collapse of communism, the Albanian Ministry of Interior, which was modeled on the Russian Ministry of Internal Affairs, for obvious reasons, was purged of its communist elements. Consequently, a cadre of experienced police officers was removed and replaced by inexperienced and sometimes illiterate and corrupt officers many of whom were hired because of their political connections. This inexperience and generally low level of ability became apparent during 1997 when economic collapse was followed by public disorder and looting. For all intents and purposes these new officers abandoned their responsibilities and in many cases took advantage of the chaotic situation. In the wake of the economic collapse aggravated by the inevitable collapse of the pyramid schemes the Socialist Party replaced the Democratic Party and reappointed many of the former experienced police officers. The immediate task was to reclaim the countryside from disorder and criminal elements. This process took approximately two years until all the regions of Albania were secured and returned to some semblance of law and order. However, to date, only some forty percent of the weapons stolen from the military from depots have been recovered: This recovery process continues and small quantities of weapons are being located on a continuing basis. The availability of military weapons makes police work in Albania a very dangerous job.

Albania has approximately fourteen thousand sworn officers and during the past three years more than one hundred and fifty nine officers have been murdered and more than 500 hundred have been wounded<sup>21</sup> in confrontations with criminal elements. In view of the aforementioned events and the past heritage, almost all police activity is strictly reactive. Investigations emanate from a crime scene or a verified complaint. There is no concept of a proactive investigation. However there appears to be a great deal of criminal information being collected. Every prefecture must forward to Tirana every

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<sup>21</sup> This information is provided in the official website of the Albanian Ministry of Public Order. Located at [www.mpo.gov.al](http://www.mpo.gov.al) (November 20, 2003).

three months a record of all criminal activity occurring in the prefecture. However, there is no analysis of this information conducted and consequently neither a strategy nor even a short-range plan exists. There is nothing comparable to a National Crime Information Center (NCIC) functioning in Albania, to collect and disseminate information about crime. Conversely information is not even readily shared among the components within the Ministry of Public Order (MoPO). The process to authorize two criminal investigators from different regions of Albania to cooperate on a joint investigation, until recently, used to defy reason and could not have been better organized to benefit the criminal elements.

Cooperation between Albania and its neighbors appears on the surface to be improving but in reality this is all an empty shell, because the liaison is cumbersome and neither side wants nor can afford the expenses involved in these joint investigations especially regarding cases of repatriation of economic immigrants or women from third countries.

Also, corruption partially caused by low wages is endemic and has caused a “wilderness of mirrors” which neutralizes police efforts and causes a “*can't do*” attitude. For all intents and purposes there is no accurate record available regarding the extent of organized crime. The reactive psychology of floundering from one criminal event to another has precluded any serious thought being focused on this problem.

## **B. ALBANIAN ORGANIZED CRIME: FACTORS EXPLAINING THE CURRENT STATUS**

Organized crime thrives on a weak government, a lack of anti-drug legislation, poorly equipped police force, a cash-based economy, and fragile banking regulations. Albania, during the transition years, had all of these. Thus, Albanian crime gangs flourished in the political and economic chaos that followed the communist regime downfall. They are well armed- having acquired sizable quantities of weapons from government stocks during the 1997 upheavals. Criminal syndicates have a significant presence in the port cities of Dures, Vlore and Tirana as well as other major cities. Relying on longstanding cross-Adriatic and Balkan smuggling routes, Albanian criminal groups control the local market in consumer goods, arms and narcotics. In addition to acquiring heroin from Turkish criminal organizations, Albanian crime groups have

become involved in cocaine trafficking, with some South American cocaine being shipped directly into Albania. Albanian crime groups cultivate *cannabis sativa* throughout the country for distribution in both the domestic and broader European market, particularly Italy and Greece.

The emergence of Albanian organized crime and its coming on front stage is related to a series of factors. These factors comprise both the Albanian diaspora organized crime (Kosovar organized crime, Albanians of Macedonia and Albanian émigrés abroad) and the indigenous Albanian organized crime all of them in a way or another interconnected.

In the United States it is related to the 1986 break up of the “Pizza connection” which apparently opened the way for Albanians who had already been working with, or mainly for the Italian organized crime. The other element is related to the development of a high ethnic conscience as a result of Serbian repression during the 80’s and 90’s. Albanian drug dealers, established elsewhere in Europe, who began contributing funds to the ‘national cause’ in the 80’s, used this situation. German Government documents relate such a process. Thus the Periodical Report on Crime and Crime Control in Germany, when speaking of fund raising activities by various Kosovar émigré political organizations, states: “The Democratic League of Kosovo (LDK)... established the ‘Fund of the Republic of Kosovo’... A large part of raised funds is not transferred via accounts, but is collected by reliable persons and taken to Kosovo (via Albania) by couriers.”<sup>22</sup>

The process of democratization in Albania, as has been explained, resulted in the loss of state control. This, in its turn, resulted in the birth of criminal activities. The outbreak of the war in Yugoslavia and the blocking of the traditional Balkan route of heroin trafficking is another cause for the Albanian organized crime to have come to prominence. Heroin was to a large extent smuggled through Albania, over the Adriatic into Italy, and from there on to Northern and Western Europe. Another factor seems to have been the embargos imposed on Yugoslavia by the international community and on the FYROM by Greece (1993-1994). This resulted in the development of a triangular trade in oil, arms and narcotics in the region, with Albania being the only country not hit

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<sup>22</sup> *Periodical Report on Crime and Crime Control in Germany*, 1999, pg.131.

Located at [www.Bundeskriminalmt.de/](http://www.Bundeskriminalmt.de/) (November 27, 2003).

by embargo. The 1997 collapse of the pyramid schemes in Albania and the resulting chaos and looting of the army depots created a fertile ground for organized crime groups to profit from weapons trafficking and money laundering in the schemes. The Kosovo conflict and the refugee problem in Albania resulted in an enormous influx of refugees as well as financial aid which the organized crime, through corrupt officials and dirty deals, managed to augment its financial assets. The refugee influx “generated a smuggling boom so great that the Albanian clans had to turn desperate customers away...[These clans] were smuggling more than 10,000 Kosovar refugees per month during the war.”<sup>23</sup> The last element is the massive migration move of the Albanians abroad during the 90’s and the drastic increase of the Albanian diaspora in the USA, Canada, Germany, Italy, Belgium, England France and elsewhere.<sup>24</sup> As well as providing a perfect cover for Albanian criminals, this diaspora is also a useful source of income for racketeers

### **1. Structure of Albanian Organized Crime Groups**

Law enforcement officials in the US and throughout Europe are trying to determine whether or not the Albanians are indeed organized. Questions remain as to their actions and if these are the acts of small semi-independent gangs, or fall under the command of one family or a group of families. It, however, appears that the structure of these groups, due to their quick rise, success rates, and coordination of activities, suggest a hierarchical chain of command. “Yet it seems that in Europe, as well as to some extent in the US, the chain of command is a decentralized one that allows for flexibility among the small crews which carry out activity, while general directives flow from top to the bottom.”<sup>25</sup> Thus the structure and culture of Albanian organized crime

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<sup>23</sup> Frank Cilluffo and George Salmoiraghi in “And the Winner is...the Albanian Mafia”, *The Washington Quarterly*, autumn 1999,22.

<sup>24</sup> For further information on this issue see Ralf Mutschke, assistant director of Interpol’s Criminal Intelligence Directorate, in his *Testimony on International Crime*, presented to the House Committee on Crime on December 23, 2000. Located at <http://www.house.gov/judiciary/3.htm>. (17 October 2003).

<sup>25</sup> Gus Xhudo “Man of Purpose: The Growth of Albanian Criminal Activity”, (*A Frank Cass Journal*, University of Pittsburgh, Pennsylvania, USA), Volume 2, spring 1996, Number 1, p.8.

seems to be characterized by a mix of traditional loyalties and newfound tradecraft. “There is no single ‘Albanian mafia’ per se, only a collection of separate clan groups.”<sup>26</sup>

The definition of organized crime in Albania so far, pertains to small gangs of criminals who operate independently (horizontally) and do not interact. These gangs are small and the membership is comprised of long time friends or relatives residing in the same area. There is, however, a concern and expectation that these groups are becoming larger and more structured as their illicit profits increase. These groups, especially those involved in trafficking, have foreign contacts operating across the borders contiguous to their areas of operation. Although centralized information regarding these groups does not exist in a data bank in Tirana, there appears to be institutional knowledge among some of the experienced and professional investigators who have worked in some of the hot spots such as Shkoder, Durres, Gjirokaster, Vlore, Pogradec, Diber and Tirana.

The limited statistics available indicate there are some 60 criminal groups active at this time in Albania. This criminal population totals approximately 400 individuals. The typical criminal group has 4 or 5 members. However there are 5 or 6 groups that are larger and have as many as 16 or 17 members or more.<sup>27</sup> These groups are very violent and fluid. When the leader is killed or arrested the group usually disappears and the remaining members join another group. Criminal groups have a hierarchy and in most cases the bosses are kept out of the limelight.

Regarding the Kosovar organized crime groups, they are usually based on their socially organized extended families bound together in clan alliances. Loyalty and secrecy is continuously being maintained and infiltration is difficult. Also, given the decentralized nature of the organizations, closure of one crew activities, does not jeopardize the entire regional unit’s operations. Lyman and Potter in *Organized Crime*

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<sup>26</sup> Mark Galeotti, “Albanian Gangs Gain Foothold in European Crime Underworld”, *Jane’s Intelligence Review*, November 01, 2001, p3.

<sup>27</sup> International Criminal Investigation Training Assistance Program (ICITAP), *Organized Crime Investigation*. Internal document prepared for the Ministry of Public Order of Albania, 7 July 2000.

identify the Albanian crime groups as “tending to be tightly organized groups of individuals related to one another as part of an ethnic clan system.”<sup>28</sup>

The Italian Anti mafia Investigation Directorate (AID), one of the most knowledgeable law enforcement agencies regarding the Albanian organized crime, maintains that

There are many small groups involved mainly in trafficking in human beings through illegal immigration and prostitution or exploitation of children for begging. Such small organizations are not connected among them, if not occasionally to conclude single businesses; sometimes they fight among them to achieve supremacy over the territory...Those Albanian crime groups showing a better organization appear more dangerous, since they are characterized by a transnational nature of their illicit businesses; these are often conducted directly from Albania, where the leaders of the whole organization reside. In Italy and in Europe, sometimes also overseas, only accomplices settle and very seldom the leaders participate personally in the important agreements with the local underworld.<sup>29</sup>

From data possessed and literature on the subject, it appears thus that the Albanian organized crime is bifocal, i.e. small groups, which, as a general rule are family based, and larger groups operating at a transnational level, that are marked by specific mafia-type characteristics.

Thus, in a 2000 publication of the AID it is being stated that

The family ties, deemed to be unifying factor of the smallest groups, become less important as the organization becomes wider; larger groups, are marked by specific mafia-type characters, pyramidal roles, and well-subdivided tasks and roles among its members. The control of the activities carried out by the various cells operating in various countries of the EU, including Italy, on behalf of the leaders residing in their own country, is ensured by several representatives who belong to the same ethnic group and who are in possession of a regular permit of stay.<sup>30</sup>

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<sup>28</sup> Michael D. Lyman, Gary W. Potter, *Organized Crime*, Third Edition, (Prentice Hall, New Jersey, 2003), 376.

<sup>29</sup> Ministero Dell' Interno, Direzione Investigativa Antimafia, *Attività Svolta e Risultati Conseguiti*, Semiannual Report, January-June 2000, p 27, located at [www.interno.it/dip\\_ps/dia/eng/](http://www.interno.it/dip_ps/dia/eng/) (20 November 2003).

<sup>30</sup> Ministero Dell' Interno, Direzione Investigativa Antimafia, *Attività Svolta e Risultati Conseguiti*, 2<sup>nd</sup> Semiannual 2000, p.39, located at [www.interno.it/dip\\_ps/dia/eng/](http://www.interno.it/dip_ps/dia/eng/). (20 November 2003).

It should, however, be noted that the situation where larger groups became extremely dangerous evolved with the passing of time and the increase in scope, sophistication and activity of such criminal groups. Italian law enforcing agencies reached to a similar conclusion confirming the fact that “from mid 90s, Albanian criminals experienced a sort of evolution, in that at the beginning they did not act in an organized form but later they established criminal organizations rooted in Albania.”<sup>31</sup> In its report on Activities and Results for the second half of 1999, the AID refers only to the danger posed by the small family based organizations.<sup>32</sup>

Another salient characteristic of the Albanian organized crime groups is the fact that the heads of such groups or as they are called ‘the bosses’ prefer to reside in Albania, where they benefit from weak institutions, corrupt police and politicians. Investigative results from AID have confirmed that

The assumed presence in different regions of criminal cells, often consisting of couriers or representatives rather than their heads that, except infrequent travels, preferred to be safe in their home country. Even the smaller groups, which are mostly family run and involved in prostitution exploitation and drug trafficking activities of lesser scope, were in the process to change their structure and extend the management of sex business abroad, in the Schengen area, traveling to and from Italy.”<sup>33</sup>

Dr. Mark Galeotti has reached to the conclusion that the sophistication and evolving of the Albanian organized crime groups has made them a serious criminal

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<sup>31</sup> Ibid., 41.

<sup>32</sup> The Report states: “In Italy, the trafficking in illegal aliens represented the driving force through which the other crimes were carried out; their danger is enhanced by the family based organization (besides the usual connections with the motherland) and allows the perpetration of crime even if one of the members is arrested or forced to leave Italian territory. ...It appears that the ‘enemies’ to fight against, are mainly family-based crime groups, which being extremely mobile, must first be proactively identified in the territory and later, dismantled through ad hoc police investigation.” Ministero Dell’ Interno, Direzione Investigativa Antimafia, *Activities and Results*, second half of the year 1999, pp29-30. [www.interno.it/dip\\_ps/dia/eng/](http://www.interno.it/dip_ps/dia/eng/) (20 November 2003).

<sup>33</sup> Ministero Dell’ Interno, Direzione Investigativa Antimafia, *Activities and Achievements*, Semiannual report, July-December 2001, p.54. Located at [www.interno.it/dip\\_ps/dia/eng/](http://www.interno.it/dip_ps/dia/eng/) (20 November 2003).

threat because now they no longer depend so closely “on ties of blood and on the heroin trade but are able and willing to recruit outside its own community and engage in new forms of criminal businesses.”<sup>34</sup>

The above conclusion is corroborated by a recent report on organized crime in Europe published by Europol. The 2003 Report considers Albanian organized crime groups to be among the main threats to the EU. It characterizes them as “extremely violent” and as “having an increasing amount of contacts with other groups.” The said report also notes that Albanian organized crime groups have “taken over certain criminal markets” such as in the case of “vice industry in the United Kingdom and in the Turkish heroin trade” yet “not entirely abandoning their role as criminal service providers, although this has moved into a new direction.”<sup>35</sup> In the 2003 Report of AID it is being confirmed that now the “stereotype according to which the Albanian crime phenomenon is solely connected with the clandestine influx, has been overcome and at present in its *modus operandi* [it] is entirely comparable to organized crime of mafia type.”<sup>36</sup>

## **2. Activities of Albanian Organized Crime**

Until the end of 2002 it was believed that indigenous Albanian organized crime activity can be generally broken down into the following categories: Trafficking (75%), Financial Crime (15%) and Corruption (10%). These are very general figures and most of the Ministry of Public Order (MoPO) officials believe these numbers generally reflect what is occurring in Albania.

### ***a. Human Trafficking***

The involvement of organized crime groups in Albania in the trafficking in human beings, weapons, automobiles and drugs has become an issue of major concern due to its rapid expansion and transnational scope. Until recently Albania had remained an isolated and conservative country in Southeastern Europe due to five hundred years of

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<sup>34</sup> Dr. Mark Galeotti “Albanian Gangs Gain Foothold in European Crime Underworld, *Jane’s Intelligence Review*, November 01, 2001, p2.

<sup>35</sup> 2003 European Union Organized Crime Report, p14. Located at <http://europa.eu.int>. (17 January 2004).

<sup>36</sup> Ministero Dell’ Interno, Direzione Investigativa Antimafia, *Activities and Achievements*, Semiannual report, Vol.1 2003, p.29. Located at [www.interno.it/dip\\_ps/dia/](http://www.interno.it/dip_ps/dia/) (20 November 2003).



Ottoman presence and fifty years of communism. Since 1990 Albania has witnessed a decade of radical change and instability. During the transition period, Albania was confronted with a vicious cycle of poverty, weak state authority, and crime.

Albania is not unlike other countries of post communist Eastern Europe wherein organized crime groups became active and in some cases very powerful during this period. Albania's location, weak infrastructure, and porous borders allow organized crime groups to profit illegally by trafficking weapons, drugs, cigarettes, automobiles and illegal aliens. These criminal groups have flourished leading also to the emergence of trafficking in young women and children for commercial sexual exploitation. In Albania, a detailed picture of the dimensions and mechanisms of the trafficking business does not exist. Recent estimates suggest there are several thousand Albanian women working abroad as prostitutes and there are no estimates regarding the movement of women from Eastern Europe and the former Soviet Union. "The number of Albanian prostitutes is estimated to be approximately 15,000 in Italy, 5000 in Greece, and about 100 in France."<sup>37</sup>

Successes by the Italian law enforcing agencies however revealed seventy percent of the women recently intercepted in Italy were Albanians. Albania is also a transit country for trafficking young women from Central and Eastern Europe as well where Albanian criminal groups have established contact with foreign criminals involved in trafficking. The routes used to transport the young women into Albania are mainly through Montenegro, Macedonia and Greece. Almost all of them end up in Italy. "Over 37 per cent of the prostitutes are thought to be minors."<sup>38</sup> Although drugs, weapons and automobiles usually enter Albania by land routes the traffickers use the sea routes to transport the women, children and economic immigrants to Italy. A report in the *Los Angeles Times* in 2001 confirmed "that clans of violent Albanian traffickers who also smuggle cigarettes and drugs have been the sex trade's dominant force since 1997, when the collapse of Albania's pyramid investment schemes and the country's descent into

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<sup>37</sup> Albanian Human Development Report 2000, p31. Located at [www.al.undp.org](http://www.al.undp.org). (17 December 2003).

<sup>38</sup> Ibid.

anarchy triggered a surge of westbound migration. Today an estimated 30,000 Albanian women are sex slaves abroad, half of them in Italy, according to the international relief agency Save the Children.”<sup>39</sup>

Sadly the criminal groups from Albania have created profitable partnerships with Albanian criminal organizations in Italy. These groups have ties to the Italian Mafia. According to Ralf Mutschke, assistant director of Interpol’s Criminal Intelligence Directorate, “Italian organized crime groups, particularly Sacra Corona Unita from Italy’s Puglia region across Adriatic Sea, were quick to establish a presence in Albania.”<sup>40</sup> On the 27<sup>th</sup> of July 1999 police in Durres, a port city in Albania, with the assistance of the Italian police arrested one of the godfathers of the “Sacra Corona Unita”, Puglias Italian mafia. This Albanian link confirms that the Sacra Corona Unita have “officially” accepted Albanian organized crime as a partner. Some sources even state that it is “believed that Albanians had taken over most of the prostitution enterprises in Italy by 1999.”<sup>41</sup>

Migrant trafficking is not a new problem, but it grew in scale and complexity. The Albanian groups are mainly responsible for the crossing of the Adriatic Sea from the

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<sup>39</sup> Richard Boudreaux, the *Los Angeles Times*. Los Angeles, Calif.: Aug 17, 2001. pg. A.1

<sup>40</sup> Ralf Mutschke, assistant director of INTERPOL’s Criminal Intelligence Directorate, *Testimony on International Crime*, presented to the House Committee on Crime on December 23, 2000. Located at <http://www.house.gov/judiciary/3.htm>. (17 October 2003).

Also, the Italian Antimafia Investigation Directorate in its semiannual report for the second half of 1999, p.22, notes :”Indeed along the Italian territory, some representatives of the most significant ‘ndrine’ proved being connected with foreign criminals, including Albanians, Kosovo nationals, Egyptian and Turks. On this purpose it is important to notice the interconnection of illicit relations found out between Albanians settled in the province of Reggio Calabria and figures belonging to mafia crime groups of the same city.” Located at [www.interno.it/dip\\_ps/dia/eng/](http://www.interno.it/dip_ps/dia/eng/) (20 November 2003).

See also Frank Cilluffo and George Salmoiraghi in “And the Winner is... the Albanian Mafia”, *The Washington Quarterly*, autumn 1999. They state:” The smugglers forged alliances with their criminal counterparts in Italy, including *La Cosa Nostra*. It is an open secret that the Italian Mafia relocated to Vlore, a coastal town in southern Albania, after the recent Italian crackdown on organized crime.”

<sup>41</sup> Michael D. Lyman, Gary W. Potter, *Organized Crime*, Third Edition, (Prentice Hall, New Jersey, 2003), 376.

Albanian coast to Italy. Departures take place mainly from Vlore, some of them from Durres or even Shkoder or Ulqin in southern Montenegro. “Since the early nineties, the Albanian crime groups were dealing with the aforementioned activities, and indeed managed to have the monopoly on the transit of illegal aliens over the Adriatic Sea; they represent the last ring of a much broader international organization, going from the Far East mafias to Eastern European mafias.”<sup>42</sup>

Poverty in the developing and post-communist world is the root cause of much of the contemporary migration. However trafficking fees are often too high for the very poor and many migrants do not originate from the poorest regions of the developing world. Many Chinese migrants passing through Albania originate in affluent provinces of China but conversely the women and children from economically depressed areas of Asia and Eastern Europe are more than likely being exploited. Consequently the traffickers charge healthy tariffs to those who can afford to pay and exploit those who are unable to pay by delivering them voluntarily or involuntarily into commercial sexual exploitation or indentured servitude.

Thus, Lyman and Potter in *Organized Crime*, identify three primary characteristics of countries targeted by traffickers wherein they find their victims: “poor economic and employment prospects for women, well-defined and organized extant criminal organizations, and a culture that emphasizes a subordinate role for women in society.”<sup>43</sup>

The traffickers profit also from lax sanctions in many parts of the world including Albania. Trafficking has increased because legal immigration possibilities in many countries have been substantially reduced. Entry restrictions, especially in Western Europe, have been increased. At the same time, the fall of the Berlin Wall created pressures for migration from Central and Eastern Europe and enabled migrants from

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<sup>42</sup> Ibid., 29

<sup>43</sup> Michael D. Lyman, Gary W. Potter, *Organized Crime*, Third Edition, (Prentice Hall, New Jersey, 2003), p.211.

other parts of the world to transit through these countries on their way to the West. Albania, until recently was considered to be a weak link in this process.<sup>44</sup>

For the Albanian crime groups, illegal emigration, even though it cannot be compared to the narco-business, is an important source of income bringing in an estimated fifty million dollars in 1999. Ralf Mutschke, assistant director of Interpol's Criminal Intelligence Directorate, states "that in 1999, approximately 10,000 people were smuggled into EU countries via Albania every month. The Italian border patrol intercepted 13,118 illegal immigrants close to the Puglian coast from January until July 1999. It estimated arrivals only in this coastal region at 56,000 in 1999."<sup>45</sup>

More recently the situation appears to be improving. Increased pressure by the international community, government predisposition to fight this phenomenon and its commitment to fulfill EU membership requirements, the rise of consciousness among the Albanian population and its subsequent pressure on the Government, and increased professionalism of the Albanian police have, recently, yielded some encouraging results.

Several successful police operations, such as *Furtuna Blu* in 2001 or *Puna* in 2002, dealt serious blows to the human trafficking from Albania to Western countries, mainly to Italy. Thus, in the second half of 2003, during the EU Italian Presidency, the Italian Minister of Interior declared that the trafficking of human beings from Albania has come to a halt. However, this apparently seemed to be a premature victory cry. On January 9, 2004 a tragedy occurred in the Adriatic Sea. Twenty-one people were drowned while attempting to cross illegally to Italy. This is the second most serious tragedy following the one in 1997 where over 100 people were drowned in the Otranto channel. This phenomena show that the fight against trafficking in human beings should be a

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<sup>44</sup> In 2001 the Italian Minister of Interior declared that the trafficking of human beings from Albania to Italia has diminished to 40 per cent. In 2003, the Italian Prime Minister, Berlusconi, declared that the human trafficking across the Adriatic has ceased completely.

<sup>45</sup> Ralf Mutschke,, assistant director of INTERPOL's Criminal Intelligence Directorate, *Testimony on International Crime*, presented to the House Committee on Crime on December 23, 2000, p.5. Located at <http://www.house.gov/judiciary/3.htm>. (17 October 2003).

Also in Albanian Human Development Report 2000 it is being stated that during 1997, 7000 families in the city of Vlore lived from the profits of the clandestine traffick and their annual profit was estimated to be in the region of USD 250-300. Located at [www.al.undp.org](http://www.al.undp.org). (23 September 2003).

continuous one. It should not be expected that the Albanian organized crime groups would easily renounce an estimated USD 100 million loss from blocking of the illegal trafficking.<sup>46</sup>

***b. Drugs and Arms Trafficking***

As previously explained, Albania is a poor country and there does not yet exist an established market for expensive drugs. According to the Albanian Human Development Report 2000, however, “the number of young drug users for every 1000 youth has doubled every two years.”<sup>47</sup> There are approximately five thousand individuals in Tirana abusing drugs, according to the same source.

The established avenues for trafficking people and contraband are also used for drugs. Again Albania is a transit state and a weak link in the international movement of drugs. Heroin is moved from Turkey through Bulgaria, Macedonia, and Montenegro and into Albania through land routes. It also comes from southern republics of the former Soviet Union, Afghanistan, South East Asia and other countries. Most of the heroin exits Albania to the West by sea while smaller portions enter Greece overland. Cocaine is moved into Albania from United States and South America mainly through Rinas International Airport and then moved by sea to Western Europe. There are also indications “that a South American cartel has become active in Albania through middlemen, in order to place more cocaine on the European market.”<sup>48</sup> This reference most likely is linked to the Kuciu-Durda-Berballa case. They were the Albanian heads of an international drug smuggling organizations with links in Colombia, Italy, Greece and Spain. Their arrest on February 2, 2001 led to the confiscation, in Albania, of USD 1

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<sup>46</sup> Such a statistics is mentioned in the Albanian weekly magazine *Klan* of 23/12/03 in its article “Heroin Rivers Flow.”

<sup>47</sup> Ibid.

<sup>48</sup> Ralf Mutschke, assistant director of INTERPOL’s Criminal Intelligence Directorate, *The Threat Posed by the Convergence of Organized Crime, Drugs Trafficking and Terrorism*, p.5. Located at [www.russianlaw.org/Mutschke.htm](http://www.russianlaw.org/Mutschke.htm). (20 October 2003).

Also, in its semiannual report the Italian Directorate of Antimafia Investigation for the first half of 2001 notes that “recent police investigations shed light on direct relations established with the Colombian cartels which are in particular interested in diverting the cocaine flows from the Northern Ports, especially Dutch ports, to the more “secure” Albania.” p26. Located at [www.interno.it/dip\\_ps/dia/eng/](http://www.interno.it/dip_ps/dia/eng/). (20 November 2003).

million in cash. The dismantling of this organization also led to 21 international arrests and confiscation of 13 tons of cocaine in different countries at different times. The case is believed to be a very successful joint operation between the law enforcement agencies of the USA, UK, Italy, Greece, Spain and Albania. It is quite significant taking into account the fact the Kociu, the head of the organization, was head of the Albanian Judiciary Police, practically the right arm of Albania's General Prosecutor and in public known as a "successful" policeman.

A smaller portion of cocaine is similarly moved overland into Greece. Cannabis is grown in Albania predominately in Fier, Vlora, Berat and Shkoder and distributed in a similar manner as cocaine and heroin overland to Greece and Macedonia and by sea to Italy.

According to the Albanian Ministry of Public Order during 1999, Albania identified 355 cases of drug trafficking and 417 individuals have been implicated. In 2001 according to the same source 325 cases of drug production and trafficking were identified involving 353 individuals.<sup>49</sup> In the period 1997-2000, law enforcement authorities have managed to confiscate 13,811 kg of cocaine, 55,113 kg of heroin, 13,306,815 kg of cannabis/marijuana, and 15 kg of hashish oil. They also managed to confiscate 15 labs of hashish processing.<sup>50</sup>

The massive emigration of Albanians to Western Europe and elsewhere in the 90's,<sup>51</sup> apart from providing an enormous source of income for organized crime groups in terms of trafficking people to other countries, also provided Albanian organized crime groups with an army of individuals who, due to their illegal status in the host country and inability to integrate into the community, develop criminal behavior. Thus

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<sup>49</sup> Analysis of the State Police Activity in the Fight Against Human and Drug Trafficking. Located at [www.mpo.gov.al/2002/mars/analysis.htm](http://www.mpo.gov.al/2002/mars/analysis.htm) (16 November 2003).

<sup>50</sup> "Short Study on Organized Crime in Albania", prepared by the Directorate of Criminal Investigation Police at the Albanian Ministry of Public Order, February 2001,p3.

<sup>51</sup> According to some data it is being estimated that the number of Albanians in United States is 500,000, in Greece 500,000; Germany 400,000; Switzerland 200,000; Turkey 65,000;Sweden 65,000; Great Britain 30,000, Belgium 25,000 and France 20,000. Source: Ralf Mutschke, assistant director of Interpol's Criminal Intelligence Directorate in "The Threat Posed by the Convergence of Organized Crime, Drugs Trafficking and Terrorism." Located at [www.Russianlaw.org/Mutschke.htm](http://www.Russianlaw.org/Mutschke.htm). (20 October 2003).

Note: These figures comprise Albanians from Albania proper, the Diaspora and Albanians from Kosovo, Macedonia and Montenegro.

Berdal and Serrano note: “Diaspora communities have often provided nodes and networks around which transnational criminal activity is organized.”<sup>52</sup> They thus become affected by or involved in crime, including organized crime. “For those emigrants to EU countries or Switzerland, the temptation to engage in criminal activities is very high.... [They] are unskilled workers who have difficulties finding a job. For Italian organized crime, these Albanians were ideal couriers in the drug trafficking business running through Albania...Many of them came into contact with Albanian organized crime through Albanian émigré communities located throughout Western Europe. This gave an impetus to the dispersion and internationalization of Albanian criminal groups.”<sup>53</sup>

It is a known fact already that the Albanian trafficking networks are becoming more and more powerful, partly replacing Turkish networks. Thus, according to Mutschke, “Albanian criminal groups, while relying on Turkish traffickers as a source for heroin, they have become major competitors of Turkish criminal groups in trafficking drugs.”<sup>54</sup>

With the outbreak of the war in the former Yugoslavia in 1991 and the blocking of the traditional Balkan route, some 60% of the European heroin found its alternative route through Albania, over the Adriatic into Italy and from there on to the Northern and Western Europe. According to some estimates “Albanian networks control about 70% of the heroin market today in Switzerland, Germany, Austria and the Scandinavian countries. According to analyses of the Swedish and Norwegian police 80% of the heroin smuggled into the countries can be linked to Albanian networks. In 1998, Swiss police estimated that 90% of the narco-business in the country is dominated by Albanians.”<sup>55</sup>

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<sup>52</sup> Mats Berdal and Monica Serrano eds. (Lynne Rienner Publishers 2002) *Transnational Organized Crime and International Security: Business as Usual?*, p.5.

<sup>53</sup> Ralf Mutschke,, assistant director of INTERPOL’s Criminal Intelligence Directorate, *Testimony on International Crime*, presented to the House Committee on Crime on December 23, 2000, p.4. Located at <http://www.house.gov/judiciary/3.htm>. (17 October 2003).

<sup>54</sup> Ibid., p.17.

<sup>55</sup> Ibid., p.5.

Albanian mafia-type crime groups, according to *Jane's Intelligence Review*, currently control 40% of the heroin trade throughout Europe.<sup>56</sup> On the subject of drug trafficking, the Italian law enforcement agencies note that “they [Albanian criminal groups] took a central role in the management of drug trafficking activities. They purchased huge quantities directly from Turkish (heroin) and Colombian (cocaine), and then introduced it into the market of our country, acting as brokers also for the major Italian criminal groups.”<sup>57</sup> Thus, Italian police during 2000, in a series of anti-mafia operations codenamed *Arco*, *Danubio Blu 2*, *Urano*, *Teuta*, *Adriatico* targeted Albanian and other criminal organizations involved in international drug trafficking.

In fact “European law enforcement officials believed that by 1999 the Albanians had become the dominant suppliers of heroin to Norway, Sweden, Southern Germany and Switzerland. In addition, by 1999, Albanian crime syndicates were challenging the hegemony of Italian syndicates in heroin trafficking and alien smuggling in Italy.”<sup>58</sup>

In 1997, the collapse of the pyramid schemes caused nation-wide unrest, during which enormous amounts of weapons and ammunition were looted from army depots (and partly reappeared during the Kosovo conflict and in some Western European countries, in particular, Italy and Greece). Official data report that 550,000 weapons were stolen out of which 38,000 hand guns, 226,000 kalashnikovs, 25,000 machine-guns, 2400 anti tank rocket launchers, 3,500.000 hand grenades, 3,600 tons of explosives.

The trafficking of weapons by Albanian organized crime groups has become a major security issue for the region. Italian authorities are “sure that the Albanian organized crime supplies drugs and arms on a vast scale to the Italian organized crime...that are willing to take advantage of the Albanians’ low-cost supply to buy war weapons and explosives.”<sup>59</sup>

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<sup>56</sup> *Jane's Intelligence Review*, November 01,2001, p2

<sup>57</sup> *Ministero Dell' Interno, Direzione Investigativa Antimafia*, “Activities and Result”s, second half of the year 2001, p54. Located at [www.interno.it/dip\\_ps/dia/eng/](http://www.interno.it/dip_ps/dia/eng/). (20 November 2003).

<sup>58</sup> Michael D. Lyman, Gary W. Potter, *Organized Crime*, Third Edition, (Prentice Hall, New Jersey, 2003), p.376.

<sup>59</sup> *Ministero Dell' Interno, Direzione Investigativa Antimafia*, “Activities and Results”, second half of the year 1999, p30. Located at [www.interno.it/dip\\_ps/dia/eng/](http://www.interno.it/dip_ps/dia/eng/). (20 November 2003).



*c. Money Laundering*

Albanian organized crime profited from the 1997 chaos in Albania resulting from the collapse of the pyramid schemes that they had used to launder money to a large scale. Before the crash, “500 to 800 million USD seem to have been transferred to accounts of Italian criminal organizations and Albanian partners.”<sup>60</sup> The pyramid schemes case and its impact on Albanian society will be dealt in more detail in the following chapter.

Albanian organized crime groups operating outside Albania usually transfer their capital to the country of origin i.e. Albania, Kosovo or Macedonia, where they purchase property, real estate and businesses and do the same activities in the target countries. Thus, according to the Italian Anti mafia Investigation Directorate (AID), the Albanian organized crime groups “reinvest directly in their motherland, and in purchasing real estate in Italy, to be used as operations’ bases or havens.”<sup>61</sup> The same source confirms that the operation codenamed *Adriatico*, carried out by the Italian police in 1999, revealed the presence of a “spread-out criminal organization, made up of Albanians, involved in narcotics trafficking, mainly cocaine coming from the USA through couriers and distributed in Northern and Central Italy...The laundering of the illicit proceeds of such trafficking amounted to 12 billion lire.”<sup>62</sup>

The laundering of illegal profits is commingled with finance related to capital flight and tax evasion schemes. According to *Jane’s Intelligence Review* “the black economy smuggling operations are controlled by well-organized criminal groups that oversee major regional smuggling and trafficking operations, and routinely launder their proceeds through Albanian financial institutions. Law enforcement agencies in

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<sup>60</sup> Ralf Mutschke, assistant director of INTERPOL’s Criminal Intelligence Directorate, *The Threat Posed by the Convergence of Organized Crime, Drugs Trafficking and Terrorism*. Located at [www.russianlaw.org/Mutschke.htm](http://www.russianlaw.org/Mutschke.htm). (20 October 2003).

<sup>61</sup> *Ministero Dell Interno, Direzione Investigativa Antimafia,, Activities and Results*, second half of 1999,p31. Located at [www.interno.it/dip\\_ps/dia/eng](http://www.interno.it/dip_ps/dia/eng). (20 November 2003).

<sup>62</sup> *Ibid*, p52.

neighboring countries, including the Italian *Guardia di Finanza* and the Turkish national police, concluded that Albanian money laundering was a major threat to European financial institutions.”<sup>63</sup>

In Albania, during the past ten years corrupt political figures and organized crime groups laundering illicit funds managed to corrupt the privatization process and acquired choice properties. Such elements are now developing these properties with laundered funds, especially in Tirana and select seashore areas. The danger from organized criminal elements is illustrated by the wave of illicit commercial construction that has taken place in Albania. In addition to being an attractive way for criminal enterprises to launder money, many of these structures are built illegally on municipal property. In the 2003 annual report, the Italian AID substantiates the above observation. Thus it “confirms once again that, for the moment, the Albanians prefer to reinvest their illicit profits in their motherland, by using couriers and rarely through official financial channels. They use these funds in speculative construction and commercial activities.”<sup>64</sup>

An attack on organized crime must study these allegations and analyze available information to establish whether illicit funds from the drug and human trafficking are being invested in the Albanian real estate and construction projects.

Presently the Albanian MoPO appears to be dealing in allegations and suspicions and there is a lack of concrete data and evidence derived from analysis and investigation.<sup>65</sup> In spite of the fact that in May 2000 the Albanian Government passed

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<sup>63</sup> Trifin J. Roule, Stepping up Pressure on the Money Launderers, *Jane's Intelligence Review*, August 01,2001.

<sup>64</sup> *Ministero Del Interno, Direzione Investigativa Antimafia*, Vol 2,200,p 185. Located at [www.interno.it/dip\\_ps/dia/](http://www.interno.it/dip_ps/dia/). (20 November 2003).

<sup>65</sup> In the 2001 Report on the Situation of Organized Crime in Albanian of the Directorate of Criminal Investigation at the Albanian Ministry of Public Order there are only a couple of examples mentioning use of trade companies to carry on money laundering activities. Thus, the said report mentions cases of “ASE”, “ALBA Trade” and KNIPS” companies with activities extended in Austria, Bulgaria, Hong Kong, Macedonia, Slovenia, Kosovo and Albania and against which penal procedures had started for money laundering. Yet the report does not mention if any legal decision has been taken. Source: Analytical document on the existence and level of organized crime, definition, factors contributing to its emergence and development. What should be done to be more efficient in the fight against this phenomenon. Tirana, February 2001, MoPO. (Classified document).

comprehensive money laundering legislation, no money laundering cases have been prosecuted in the Albanian courts thus far, and no illicit proceeds have been forfeited through judicial action.<sup>66</sup>

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<sup>66</sup> It should, however, be noted that following the January 9, 2004 tragedy when 26 Albanians drowned in the Otranto channel in their effort to cross illegally to Italy, a series of encouraging measures have been taken. The Iron Net police operation targeting proceeds of crime (mainly real estate) of criminals involved in drug and human trafficking, yielded some promising results. Thus referring to daily Albanian newspaper *Zeri I Popullit* of 17 January 2004, in the time span of one week, the law enforcement authorities of Durres district confiscated 38 properties “such as villas, restaurants, hotels, dinghies and other vehicles which served as support for illegal trafficking”. *Zeri I Popullit*, 17 January 2004. p1.

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### **III. ORGANIZED CRIME AND NATIONAL SECURITY**

#### **A. THE IMPACT OF ORGANIZED CRIME ON NATIONAL SECURITY**

##### **1. Corruption of Government and Disenchantment of Populace with the Democratic Process**

*In framing a government to be administered by men over men, the great difficulty lies in the fact that you must first enable the government to control the governed and in the next place, oblige it to control itself.*

James Madison

Consecutive governments in Albania have not been able to follow this maxim. There are many reasons for this, the most crucial being corruption at all levels of the political class and the public administration. Corruption is nothing new, nor is it confined to any particular corner of the world. It is a problem that has deeply affected the lives and stirred the resentment of citizens the world over. Corruption, to put it simply, is the abuse of public power for private gains. Although corruption tends to get the most attention, it is a symptom of a more general problem of perverse underlying incentives in public service. Moreover, corruption of political-legal organizations is critical to the success of a crime cabal. Therefore the study of organized crime should consider corruption, bureaucracy and power simultaneously.

Organized crime is becoming increasingly professional, relying on external expertise in an ever-widening international and heterogeneous setting. Organized crime groups are known to exploit the absence or delay in political initiatives, or the unforeseen, negative consequences of these, as well as judicial change or technological advances. Another tactics used by organized crime groups is corruption, which is an efficient method of achieving criminal success. A 2003 Europol report on organized crime predicts, “this is likely to become more pronounced in the years to come”<sup>67</sup>

Basically, corruption is of two kinds. In Albania it has most saliently appeared as policy oriented corruption and corruption to protect illicit enterprises, which practically live in a perfect symbiosis. Unfortunately the Albanian newborn democracy found itself

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<sup>67</sup> 2003 European Union Organized Crime Report, Europol, p.13. Located at <http://europa.eu.int>. (17 January 2004).

unprepared to face the new challenges deriving from the classical crime and especially organized crime. Organized crime actively attacked the weak barriers to their activities and commodities, and political-legal institutions were their main target.

On the other side, the vacuum of moral values and the changing cultural tendencies with the concept “from the poor equity to the easy moneymaking” became fashionable and part of the so-called “new society”. The citizen, in cases where fraud and collusion are “a way of doing business,” is equally effective in subverting good government.

If anything, corruption is even more dangerous when it is used by criminal organizations, thus constituting a national threat. It violates the public trust and corrodes social capital. A small side payment for a given service may seem a minor offense, but it is not the only cost- corruption can have far-reaching externalities. Unchecked and creeping accumulation of seemingly minor infractions slowly erodes political legitimacy to the point where even uncorrupt officials and members of the public see little point in playing by rules. The major problem is thus that corruption feeds on itself, creating a widening spiral of illegal payoffs.

The case of Albanian pyramid schemes in 1997 is a case in point. Albania faced the most acute kind of corruption during the period 1996-1997 with pyramidal schemes, which the then government sponsored with the purpose of creating the illusion of economic prosperity, and persuading the electorate to back the government. But the collapse of these schemes caused serious economical, political and social problems followed by violent troubles ending up in the total collapse of the state institutions, putting in question the national security and integrity of the country. Capitalism wasn't so easy. The biggest lesson learned from this was that economic change is not sustainable unless there is a change in mentality. Both these elements move in a self-sustaining, naturally accelerating circle. Most importantly, it is a very extreme example but it shows clearly what can be at most the impact of political corruption in a large scale.

In early 1997 the international criticism coming from Western chancelleries became matched with criticism coming from international media as well. Thus Italian media at the time quoting police and other expert sources stated that Italian mobsters may have used Albania's failed "get-rich-quick" pyramid investment schemes to launder profits from drugs

and other rackets. Leading anti-Mafia investigators, researchers and intelligence sources said lax controls in Albania and the close ties between racketeers in both countries made the shady schemes a perfect home for dirty money. "We have information that Italian crime groups were involved in Albania's financial scandal," newspapers quoted chief anti-Mafia prosecutor Pier Luigi Vigna as saying. He was echoed by the head of the Italian police organized crime squad, Alessandro Pansa, who said investigations were under way in Italy into mob links with the schemes. Also intelligence sources in Rome, quoted by Italian media, said it was "quite evident" that Italian mobsters would have pumped money into the schemes early on to clean their illegal earnings and make a tidy profit into the bargain.<sup>68</sup>

The toughest stand towards Albania's then Government was reflected in The Independent British daily labeling the regime "a gangster one". The newspaper, quoting western intelligence sources, gave detailed evidence of collusion of members of Albania's ruling Democratic Party, including Government ministers "in an extraordinary range of crimes".

The above examples rise another concerning issue, namely that of cross-border corruption. As evidenced, cross-border corruption helps keep the country poor and politically weak. It can also inhibit international law enforcing initiatives, as was the case with the UN imposed sanctions on Serbia during the conflict in Bosnia-Herzegovina. Cross border abuses, aided by local officials who share in corrupt deals, impeded the growth of sound market institutions and of reliable basic economic rights. It resulted in further entrenchment of domestic corruption, delayed or distorted economic development and diverted talent and investment from productive enterprise and human-capital-creating public services into rent-producing activities. Another repercussion is the fake sense of well being that leads to disillusionment, lack of trust in institutions, etc.

Even though Albania went through this very serious crisis, still lessons learned did not really serve to the political class to change this corruption-oriented frame of mind. Hence, corruption still remains widespread. Despite the renewal of political life that came after 1997, fundamental institutions of democracy-judicial system, the legislature, the political parties, even the presidency- remain weak and discredited and some of them

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<sup>68</sup> OMRI (Open Media Research Institute), *Pursuing Balkan Peace*. Volume 2, No.7, 18 February 1997. Located at <http://www.omri.cz>. (9 September 2003).

scarcely functioning. This has put democracy under challenge. Although democratic norms are widely accepted in the country and some of them well entrenched, they are still under severe challenge, which affects quality of life too. In few words the quality of the new Albanian democracy is at risk. This is the essential impact the corruption has on our society. Even the fight against corruption can become corrupted when it is instrumentalized politically, when it is used not to serve the purpose but to serve political and economic interests of one group against another.

The practice of “*la mordida*” as known in Latin American countries and use of Government runners to transact normal business or otherwise in Albanian known as the “*sekserë*” has become so institutionalized that a whole profession has grown to “assist” those who wish to transact business with a government department. Also, an irresponsible political class, the weak judiciary and corrupted law enforcement agencies have proven unable to enforce laws effectively because corrupt interests have set up shop in the country, and the ill-paid, demoralized, poorly-organized bureaucracy practically invites rent-seeking. Once the life pattern of “dealing under the table” is established, it is only a very short distance to the total seduction of the Government.

This situation in Albania became quite worrisome. It had become so evident within the country and internationally a major problem, that the political class under the pressure, both internally and externally, could not remain indifferent. Moreover, the country has embarked into the EU integration process, which entails the fulfillment of certain conditions. As a matter of fact, the Stabilization and Association process of Albania into the EU has merely become a whip and carrot and, for that matter, a very efficient tool in the hands of the international community to force government officials act in compliance with generally recognized norms of conduct.

Albania is a relatively small and homogeneous society. As such it sometimes is being called “a network society” since people “often interacts on the basis of personal relations and connections, characterized by loyalty and dependence, rather than purely on basis of professionalism and transparency.”<sup>69</sup> Personal relationships are considered often

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<sup>69</sup> Albanian Center for Economic Research (ACER), *Common Country Assessment, Albania*, prepared for the United Nations System in Albania, June 2002,p.77. The Report is available electronically at <http://www.undp.org.al>. (25 August 2003).



more important than relations based on formal roles in political, social, and economic structures. This suggests that trust in personal relationships is more important than trust in formal legal institutions.

Citizens' attitudes constitute another worsening ingredient in fighting corruption in the Albanian society, in particular their attitudes towards legal institutions. Citizens do not think of themselves as taxpayers with the legal right to inquire into the use of their taxes.

A 1998 World Bank Report on corruption in Albania categorizes it as a country with medium "State Capture" (indicating insufficient accountability) and high "Administrative Corruption" (indicating low capability).<sup>70</sup> Out of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania and Yugoslavia, which were surveyed in the above report, Albanian respondents had the highest level of pressure on citizens from public officials soliciting corrupt compensation, tolerance in principle of corruption, involvement in corrupt practices and pessimism over the country's ability to deal with corruption.

In view of such a critical situation, in October 2001 the socialist party leader Fatos Nano initiated the so-called "movement for catharsis"- a movement purportedly seeking to cleanse the government administration from corrupt officials and practices. It should, however, be noted that the real reason for the initiation of such a move was purely internal party turf fight namely between the ruling Socialist party leader and the then Socialist elected Prime Minister. During the campaign that followed, until mid April of the same year, when a truce was achieved, the Albanian public became witness of many accusations by both sides of alleged involvement in corrupt dealings at very high levels. The Socialist leader, Nano, accused the Prime Minister of nepotism, involvement in multi million USD shady dealings, favoritism, unfair privatization process, autocratic leadership and accumulation of large amounts of capital. The then Prime Minister and his followers uttered similar accusations. Initially it seemed that the process would be irreversible. The General Prosecutor initiated investigations on high officials, involving ministers as well, media became very active and a mouthpiece of the public outcry. But

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<sup>70</sup> World Bank and ACER, *Albanian Empirical report*, 1998.

the inevitable occurred- the Prime Minister and the Government resigned, the Parliament and the President sacked the General Prosecutor in a most doubtful way (later the Constitutional Court nullified the Parliament's and President's decision of removal of the General Prosecutor considering it as unconstitutional).<sup>71</sup> At the peak of the so-called movement for catharsis, Socialist leader Nano stated that even Nano himself couldn't stop this movement. Yet, quite unexpectedly, Nano forgot about catharsis, and became "friend" to those with whom he had interchanged accusations. The reason was simple; Nano wanted to become President. He needed votes and allies.<sup>72</sup> So much for catharsis!

Under the guise of "reform" many changes have occurred in the administration without observing the existing laws, most importantly the Civil Servant Law. This is being felt most seriously in the public order sector. In a two months time span, the new Prime Minister changed almost all the Police directors<sup>73</sup> and a great number of police commissars. The result is evident – increased criminality, smuggling and other illegal activities. The reasons seem to be obvious-political insecurity and the sense that one's position is temporary breeds the idea of "stealing as much as one can, and as quickly as one can take it".

This situation has led to a reality where Albanians refuse to trust any political institutions in the country. In the eyes of the Albanian people, almost all politicians are corrupt and concerned only with their own private interests, power, and enrichment. With the first euphoria about democratic elections in early 1990s having already passed, Albanians now consider democratic procedures as useful only to corrupt politicians who

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<sup>71</sup> The case of the removal of the general prosecutor by the Parliament and the President is quite interesting. Being a unique example where a large group of legislators decide to remove in "an unconstitutional" way the General Prosecutor, as the Constitutional Court was expressed, shows that the interests at stake are quite high. It also shows how far corrupt legislators and officials can go.

<sup>72</sup> Eventually Nano did not manage to become President. He, however, became prime minister for the fifth time. Quite ironically, in December 2003, when Nano was forced to make a Government reshuffle, he included in his Cabinet two of the former ministers against whom he had unleashed a storm of accusations on corruption grounds.

<sup>73</sup> There are 12 prefectures in Albania, consequently 12 police directors, one for each prefecture. Each police directorate has under its own authority 3 police commissariats. The appointment and removal of such senior police officers is done under the law on the State Police drafted in cooperation with the EU MAPE mission. None of the newly appointed directors or commissars did follow the procedures as prescribed for in the said law.

use them to deceive masses.<sup>74</sup> Thus, for instance, a Freedom House article on Albania notes: “The Albanian public continues to view corruption as a problem that is endemic at all levels of government.”<sup>75</sup> (See Table 3-1)

Customs officers	86.6
Tax officials	79.0
Doctors	71.6
Lawyers	70.6
Municipal Officials	69.1
Ministers	67.8
Officials at ministries	66.2
Administration officials in the judicial system	63.0
Members of parliament	61.8
Police officers	56.4
Municipal councilors	55.2
Political party & coalition leaders	54.7
Investigating officers	52.7
Local political leaders	49.6
University professors and officials	46.0
Business people	42.6
Bankers	24.4
Representatives of NGOs	23.1
Journalists	18.8
Teachers	11.6

Table 3-1. Perceptions: % of Albanian respondents who said “nearly all” or “most” following groups are involved in corruption<sup>76</sup>

<sup>74</sup> During the last local elections held in October 2003, only 45 per cent of eligible voters did participate in the voting process. This is a major shift in the voting pattern of Albanians taking into account the fact that in the course of twelve years, the yield has been between 68-75 percent.

<sup>75</sup> *Albania*, Located at [www.freedomhouse.org/research/nintransit](http://www.freedomhouse.org/research/nintransit), p.51. 11 December 2003.

<sup>76</sup> Albanian Center for Economic Research (ACER), *Common Country Assessment, Albania, 2002*. Prepared for the United Nations System in Albania, June 2002. Located at [www.undp.org.al](http://www.undp.org.al)

The conflict atmosphere that has reigned in Albania over the last decade is another ingredient that has contributed in creating a fertile ground for corruption, which on its side, in a perfect symbiosis with the political conflict feeds it thus making the spiral of instability endless.

Low respect for the existing laws has reduced incentives to respect the independence of courts, judges and police officers. Indeed bureaucratic and political corruption has become integrated with corrupt leverage and incentives that are shared within and between the political and bureaucratic structures. In such a setting, those who tend to become reformers are intimidated, frozen out of influence, and the existing anti-corruption rules and agencies become empty shells.

In Albania there is also a unique phenomenon- namely that of the bodyguards or “tough bunnies”. Politicians, legislators, senior officials almost all have bodyguards who practically do the personnel policies. They can hire and fire customs officers, police commissars, and other officials according to their liking albeit with the blessing of their “boss”.

Also, one of the most worrying manifestations of political corruption is exemplified in the election process. In my former occupation in security structures of the Government, I encountered a phenomenon from which the Albanian society will suffer long, namely the financing and sponsoring of various parliamentary candidates by dubious characters involved in not so clean businesses.<sup>77</sup> This stands for both camps be it the position or the opposition. Very few from the political class are estranged to this system. The repercussions of such a vicious circle are far reaching. They are translated in favoritism, appointments in key positions in administration, customs, law enforcement, etc. Its consequences are reflected also in the suffocation of legal businesses, weakening of institutions, and lack of trust in them, withdrawal of foreign investors, and the creation of an unfavorable business climate. According to Freedom House “a public opinion poll

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<sup>77</sup> Some of these names were made public during the most recent skirmish (2003) between the Socialist party leader and former Prime Minister.

taken in 2001 indicated that the public considers corruption to be a central factor affecting the socioeconomic well-being of the country.”<sup>78</sup>

A very serious set back to the democratic development of Albania and an element that feeds corruption and abuse of power is the lack of balance between public and private interests. Privatization in Albania had a much greater impact on the country than it is being thought. It did not only transfer the bulk of the Albanian economy to private hands, it also privatized the social and political life of the nation to the extreme. In the last fifty years of communist regime the superiority of public over private interests reigned supreme in Albania. During this period the preeminence of national interests reached its peak. The anti communist revolution of the early nineties led Albania into a transition from a society with a powerful collectivistic ideology to one in which almost everyone, from the ordinary citizen to the highest officials, ignores the public interest altogether. Albanians are transformed into a people who are almost totally indifferent to any social values or public issue and who are reluctant to make even the slightest sacrifice for the public good.

## **2. Corruptions and Penetration of the Security Forces**

“Police corruption is an illegal use of organizational power for personal gain.”<sup>79</sup> It is a use of the institutional power to encourage and create crime rather than to deter it. Law enforcement agencies, being at the forefront of the fight against criminality are also a most aimed target for the corruption and this is easy to explain. The legal powers of the police such as investigation, arrest and border management entitle police with a lot of authority but in the mean time expose them to corruption.

The ability of the organized crime groups to corrupt the police is indicative of the strong influence wielded by organized criminal groups over the authorities. Evidence suggests organized crime groups are able to bribe local police officials to continue their business. Corruption of law enforcers follows two parallel tiers. First, it is related to the low payments and socio-economic situation of police forces in Albania making them

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<sup>78</sup> Albania, Located at [www.freedomhouse.org/research/nintransit,p51](http://www.freedomhouse.org/research/nintransit,p51). (11 December 2003).

<sup>79</sup> Lawrence Sherman, *Scandal and Reform- Controlling Police Corruption*, (University of California Press, 1978) p.30

prone to corruption. Second, which is a more recent phenomenon, is related to the fact that the increased pattern of corruption amongst law enforcement agencies is related to the emergence of the Albanian organized crime, (the realization by law enforcement agencies of its existence), the subsequent drug boom and the somewhat parallel intensification of drug control efforts on the part of law enforcement agencies (under the constant pressure by international institutions, namely EU and the U.S.). Thus, as the share of the crime activities such as drug, arms and human trafficking expanded the corruption problems took on a different magnitude. The explosion of transnational organized crime turned the problem of routinely small-scale bribing and petty police crime into one of an entirely different order. Beleaguered by police, national but mainly foreign, organized crime groups opt for the escalation of corruption (and violence).

Rattled by the impact of large scale corruption and direct involvement in lucrative illegal markets and aware that organized criminal groups cannot sustain their activities without corruption, the Ministry of Public Order of Albania removed over one thousand officers on suspicion of corruption and bribery since the beginning of the year 2003 and this effort to purge the Ministry of corrupt officers continues. Nevertheless corruption within the existing law enforcement units is still widespread.<sup>80</sup> The corruption problem will not be totally solved until a new generation of police officers are recruited and trained to replace the present cadre.

This, however, has proven to be a very challenging task. Not only has the much needed professionalism of police forces proved impossible in such a context, but

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<sup>80</sup> According to statistics offered by the office of Internal Control (OIC) at the Ministry of Public Order (MoPO) of Albania during the year 2003, two hundred and four sworn and non-sworn police officers were referred for prosecution, 18 were convicted, 252 were dismissed, 143 demoted, 133 were transferred, and for 463 were taken other administrative measures, totaling a number of 1213 police officers. Source: Communication with the Director of OIC at the MoPO.

significant evidence shows how dismissed police have joined the drug trafficking ranks, organized themselves in criminal groups, or simply proffered themselves for hire as bodyguards and mercenaries.<sup>81</sup>

The corrupt character of law-enforcement forces is thus of special importance because it deprives Albanian citizens of the hope of getting help from the police and courts in their fight against criminals and corrupt bureaucrats

We must admit that the fight against corruption is not an easy task. This is very complicated also by the fact that there is discrete crime and both parties are satisfied and no one complains. Fight against corruption is a process. This, however, does not mean that being a process one should wait endlessly; neither does it mean that such a phenomenon is overcome quickly.

What is clear, however, is the fact that fighting corruption only within the boundaries of one nation-state is an enterprise doomed to failure. In any case, the prime responsible to fight corruption in a given country is its people and its political class. This requires a new generation of politicians, ideally trained in the West, bearer of western mentalities of governance.

So far, leaders of political parties are so absorbed with achieving private goals that they more or less completely ignore the interests of the country. In order to preserve their domains of political activity, they antagonize each other as much as possible and avoid all compromise. There are virtually no values on which the main Albanian political parties agree, and no political movement in the country- whether Socialists or Democrats, is able to create unity among its members. The 'leaders' of numerous factions are wholly absorbed in their private goals and therefore do not want to admit to the superiority of anyone in their own party. The marked divisiveness of the Albanian political life requires one to suppose that if a new party comes to power, many, if not all, of the rules of the political game will be changed. This makes politicians (as well as businessmen)

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<sup>81</sup> The Kociu case, mentioned in the previous chapter is quite significant. Being a senior law enforcer, his involvement in international drug trafficking and his plans to support a new political party through funds generated from drug trade (an estimated amount of USD 400m yearly), his plans to implant bugs in the working environment of senior politicians and government officials, shows how dangerous and threatening to the country such individuals can be. Another case is related to a former policeman named Aldo Bare. This person is quite notorious for his deeds. What is concerning in his case is that he has never been seen in public since he went in hiding. Moreover his economic activities are "legal" under the name of his family relatives. To date he remains one of the most wanted Albanian criminals.

extremely uneasy, and forces them to exploit their temporary status for immediate rewards, a trend that is one of the most serious hindrances to economic progress in Albania today.

Without wanting to enter into a detailed analysis, I would like to underline the fact that the Albanian political class of this decade, not only did not bear the burden of building the rule of law in this period, but in many instances it hampered it. The political class of this decade is an offspring of the former communist era. This heritage is intuitive, built-in. It is a reflection of the old way of thinking and acting, perversely blended with the worst features the capitalist society bears. This is the major handicap of this decade of transition. Albania needs to grow a new political elite, free from past prejudices and oriented towards western ways of governing. The increasing involvement of a new generation of politicians in the current political scenery of Albania is a good first step.

### **3. Risk of Being Branded a “Rogue State”**

Organized Crime in its present state appears to have emerged, as we have seen in the course of this chapter, due to endogenous and exogenous factors. Within the domestic sphere we single out the state. “The nature and relative strength of a state as well as the decisions or omissions of the incumbent ruling class can and do play an important role in the emergence and rise of organized crime.”<sup>82</sup> The endogenous interplay between politics and criminality often provides the ground for the emergence of powerful criminal organizations. The experiences of countries such as Colombia, Mexico, Italy, Russia and Albania suggest that crime out of control can be a major factor in the subversion of state authority. In extreme cases organized crime activities “have threatened the sovereignty and the independence of the state in a particularly rapid and dramatic fashion [and] activities such as drug trafficking, illegal migration, and smuggling, belong to the ‘security problematic’ of the century’s dawn.”<sup>83</sup> Such a phenomenon is also Europe’s concern because it believes that “in extreme cases, organized crime can come to

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<sup>82</sup> Mats Berdal and Monica Serrano eds. *Transnational Organized Crime and International Security: Business as Usual?* (Lynne Rienner Publishers, Bolder Colorado, 2002), p.20.

<sup>83</sup> Ibid., pp 29-30.



dominate the state.”<sup>84</sup> Similarly, the European Security Strategy document of 8 December 2003 considers “state failure [as] an alarming phenomenon that undermines global governance and also adds to regional instability.”<sup>85</sup>

States that become captives will naturally trigger international mobilization to deal with their “coma condition”. Unless there are serious, all encompassing efforts and measures the captured state might be branded as a rogue state, liable to coercive sanctions, a move that would link the threat of organized crime (in particular the transnational one) to that of terrorism.

Referring to the situation in Albania, many elements do indicate that the state runs the risk of being labeled as such, i.e. as a rogue one. Here we need to make a brief explanation in order to have some semantic coherence. The term “rogue state” in our context does not imply the literal use that “applies to states that do not regard themselves as bound by international norms.”<sup>86</sup> It applies to a debilitated state, weak and unable to efficiently cope with the challenge of organized crime. Most importantly it is related to the fact that the state capture reaches such a point where the relationship between organized crime and politics become symbiotic and thus criminal activities spread, infiltrate and manipulate the political system, finally resulting into a kleptopatrimonial state.

Thus Janusz Bugajski refers to Albania and some other Balkan countries as ‘weak states’ and quite explicitly states that “If organized crime spreads, prospers, and gains stronger political influence...the alliance leaders will try to shield their countries from the security risks emanating from Southeastern Europe... Through a combination of political and economic measures, the alliance may try to construct a *cordon sanitaire* around the region to limit the most destabilizing ripple effects throughout the continent.”<sup>87</sup> NATO Secretary General, Lord Robertson echoed this idea on July 16, 2003 urging Albania to

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<sup>84</sup> COUNCIL OF THE EUROPEAN UNION:European Security Strategy, Brussels, 8 December 2003. Located at <http://register.consilium.eu.int/pdf/en/03/st15895.en03.pdf> (4 March 2004)

<sup>85</sup> Ibid.

<sup>86</sup> Noam Chomsky , *Rogue States: The rule of force in world affairs*, (South End Press, Cambridge MA 2000), p.1.

<sup>87</sup> Janus Bugajski, Southeastern European Reconstruction-Winning or Losing the Balkans? A CSIS European Program project, October 2000, Center for Strategic and International Studies, Washington D.C. p.10.

tighten its borders and fight corruption and organized crime. “The international community and NATO want better border controls from Albania and a more determined fight against corruption, illegal trafficking and organized crime.” He went further by warning against NATO aspirants expecting a free ride into the organization, saying that they had to put their own house in order first. “Countries looking for membership in the northern alliance should contribute to its security and stability and not be only consumers of the security offered by NATO.”<sup>88</sup>

In a similar, more straightforward language Chris Patten, Commissioner for Foreign Policy of the European Commission, has stated that

If you would like to confirm how serious the situation of organized crime in Albania is, ask FBI, or any other law enforcing organization around the world. [Therefore] it is essential that Albania get prepared to implement the obligations stemming from the Association and Stabilization Agreement with the EU, because failure to do so might harm the credibility of Albania and the perspective of future relations with the EU.<sup>89</sup>

Romano Prodi, President of the European Commission, has stated that regarding the EU integration; the Commission is facing a big problem with Albanians in particular regarding criminality. Such an attitude will not find place in the expanded Europe. Whereas in the London meeting of EU and Balkan interior ministers in 2003, the British foreign secretary, Jack Straw considered the organized crime in the Balkan countries as ‘a serious impediment to their integration into the EU.’ The British Home Affairs secretary David Blunkett on his side stated at the same event that EU countries are cooperating with the Balkan countries such as Albania, Bosnia, Croatia and former Yugoslavia in the fight against trafficking of all kind. Asking for concrete actions, Blunkett stated that in the coming 10 years the Balkan states would be judged by deeds not words.<sup>90</sup> In the EU Security Document, quoted above, it is being estimated that “ 90 per cent of heroin in Europe comes from poppies in Afghanistan, where the drug trade pays for private

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<sup>88</sup> NATO Chief Talks About Crime, 17 July 2003. Located at [www.nato.int](http://www.nato.int) (24 December 2003).

<sup>89</sup> Alfred Peza, *Heroin Rivers Flow*. Albanian *KLAN* weekly magazine. December 23, 2003. Located at [www.revistaklan.com/lexotext.asp](http://www.revistaklan.com/lexotext.asp). (23 December 2003).

<sup>90</sup> Ibid.

armies. Most of it is distributed through the Balkan criminal networks which are also responsible for some 200.000 of the 700.000 women victims of the sex trade world wide.”<sup>91</sup> Thus the challenge of ‘stabilizing the Balkans’, in terms of ensuring long-term and enduring military security remains an important issue that is inextricably linked to building law-governed democratic states and developing market economies in the entire region, Albania included. “The choice for us,” notes Chris Patten, the EU’s external relations Commissioner, “is very clear: either we export stability to the Balkans, or the Balkans exports instability to us.”<sup>92</sup>

The following chapter will substantiate the findings of the last two chapters by bringing two real life cases, exemplifying the impact the organized crime has on economic and political life of the country and in particular on the new Albanian democracy and Albania’s security.

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<sup>91</sup> COUNCIL OF THE EUROPEAN UNION: European Security Strategy, Brussels, 8 December 2003. Located at <http://register.consilium.eu.int/pdf/en/03/st15895.en03.pdf> (4 March 2004) European Security

<sup>92</sup> Quoted in Lenard Cohen’s Embracing Democracy: Weak States and Institution Building in Balkan Europe. The Center for European Studies (CES) and Canadian Forum on Southeastern Europe (CFSEE), Carlton University, Europe-Russia Conference Series. Conference: Southeastern Europe, Moving Forward (January 23-24, 2003, Ottawa).

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## **IV. THE EMERGING CRIMINAL STATE: ECONOMIC AND POLITICAL ASPECTS OF ORGANIZED CRIME IN ALBANIA**

### **A. THE PYRAMID SCHEMES CRISIS**

*It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair.*

Charles Dickens- *A Tale of Two Cities*.

The exposure and analysis of the pyramid scheme phenomenon and the parliamentary elections of 1996 intend to exemplify the impact organized criminal activities have on new democratic institutions in general, and in particular the security ones. During the pyramid schemes crisis security institutions such as intelligence services, the army and the police became mere tools of a corrupt, criminal political clique. This led to the almost destruction of such institutions. Though the spark that set off the country's crisis was the collapse of the pyramid schemes, the underlying reason was Government's disregard for the rule of law, a persistent pattern of human rights violations and more importantly the merging and involvement of the Government with criminal activities.

#### **1. The Right "Hardware", No "Software"<sup>93</sup>**

Plato in "The Republic" notes: "Democracy is a charming form of government full of variety and disorder"<sup>94</sup>. This has proven to be more than true for former communist- block countries, Albania in particular. As new democracies grapple with the

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<sup>93</sup> Referring to the tumultuous situation in 1997 Albania, Thomas Friedman explains that with the collapse of Communism, virtually every country now has the same "hardware". That is, they have all adopted free-market capitalism to one degree or another. But where they differ is in the "software" -- the institutions of governance, be they regulatory bodies, a watch-dog press, or uncorrupted courts, civil service, parliaments and police". He states that "after the cold war Albania adopted all the right hardware, but it had none of the software. In *Oops! Wrong War*: [Op-Ed] Thomas L. Friedman, New York Times. Late Edition ,East Coast, New York: Apr. 7, 1997. pg. A.15.

<sup>94</sup> The Merriam-Webster Dictionary of Quotations, 1992, 96.

pressing issues of building new institutions and establishing the market economy and rule of law, they are faced with security issues that are strikingly new in terms of content, scale and impact. The mix of these concerns has posed new challenging threats to national security. The interplay between them can be better understood and analyzed if it is placed within the framework of what have come to be termed by some as 'gray area phenomena' or problems of 'global ungovernability'. The notion of gray areas provides a conceptual umbrella for the potential and realized threats posed by non-state actors, which range from 'indirect erosion' to 'direct attacks,' towards state institutions.<sup>95</sup>

These designations have been coined by security specialists in order to capture the proliferation of non-state security threats that are new, newly visible, or of intensifying concern and come in tandem with weak, corrupt institutions and government. They include, evolving terrorist organizations and agendas, international organized crime, and informal economic organizations that bypass or avoid the state and its economic system.

Notable among these is the emergence of the organized crime component. This is because of its effectiveness, success and impact. It is also closely intertwined with national security threats of more direct concern to national security planners.

The organized criminal activities increasingly linked regionally and internationally, are centered in part on developing relationships between narcotics trafficking, arms trafficking, human trafficking, money laundering and other international organized criminal groups in distant areas of the world where few such criminal relationships were previously visible and/or possible.

In environments where state institutions are still fragile and in formation or rendered ineffective by sweeping political change, internal challenges, or other factors, criminal enterprise has been quick to fill in the vacuums or seize new opportunities. In addition, the new or reinvigorated centers of interethnic conflict, insurgency, and various forms of regional and international terrorism have acquired organized crime content.

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<sup>95</sup> Graham H. Turbiville, Jr., The Organized Crime Dimension of Regional Conflict and Operations Other Than War, in *Ethnic Conflict and Regional Instability, Implications for US Policy and Army Roles and Missions*, Strategic Studies Institute, US Army War College, 125-146.

See also Frankland, Erich G., "Turning Chaos into Cooperation" in *Military Review*, Dec. 94-Feb 95, Vol.75, Issue 1, pg.2.

This chapter explores the rise of the pyramid scheme crisis of 1996-97 in Albania. It analyzes its causes, focusing on the relations between the organized crime and politics. A particular focus will be to situate this form of criminal activity within the context of the economic and political relationships it requires for its successful conduct. The nature of democratic process apparently offers a breeding ground for all types of organized crime. The fine line between individual freedom and chaos is of prime concern in the area of organized crime. Therefore the chapter intends to expose the link of political influence in order to understand why organized crime cannot be easily controlled.

Through the illustrations of political influence it is intended to raise awareness of the tenacious grip that corrupt politics has on the entire community. The state's accommodation with these criminal enterprises facilitated the rise of extensive drug distribution networks, arms smuggling, human trafficking organized and controlled by domestic and foreign crime syndicates. These networks continue to inhibit market access to foreign capitals and undermine state institutions. The 'financial ramifications' of these networks contributed to wide-scale money laundering, tax evasion and capital flight. The chapter, then, considers the impact of the organized crime in the longevity of the pyramid schemes and addresses the question of the consequences they had on the national security of Albania as well as the ensuing regional security impact, notably in Kosovo and Macedonia but also in other Western European nations.

The combination of political instability, a weak state, and powerful economic groups rooted in illicit and opaque dealings undermined reform and subsequently led to what is known as the weak state syndrome, i.e. the state becoming severely incapacitated to perform major functions. Extreme incapacitation leads to the phenomenon of the failed state.<sup>96</sup> The phenomenon of the pyramid schemes in Albania is a clear example of the combination of such elements leading to a failed state, as we shall see during the course of this chapter.

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<sup>96</sup> In the Albanian Human Development Report 2000 it has been stated: " In the case of Albania, the weakness of the state is substantial and deep rooted...State weakness characterizes the entire period of Albanian transition. During the events of 1997, it took on alarming proportions." <http://www.al.undp.org>. (23 September 2003).

## 2. The Intertwining of Crime and Politics

Albania of 1996-1997 was a tragic, but illuminating, example of the new divide in world politics today and an expression of the contradictions generated by the pursuit of free market reforms and a prohibition on lucrative commodities. "The unleashing of market forces has unintentionally encouraged and facilitated not only legal economic activities, but illegal economic activities as well."<sup>97</sup>

Albania's initial so-called success was based to a large extent on drug smuggling, gun running, sanctions busting, people trafficking and the infamous pyramid schemes that sprouted like mushrooms. The biggest problems were weak, corrupt institutions/officials and criminal activities. Such phenomena spread like a cancer to all levels of society. Moreover, politicians, lacking strong social support and a solid political base "sought alliances with powerful incumbent enterprises for funding and support. This naturally made the state highly subject to capture."<sup>98</sup> Lyman and Potter in their book "*Organized Crime*" when explaining the phenomenon of political corruption state that "public officials, either out of greed, the need for political support and money, or the desire for recognition, put their policy making and enforcement powers on the market. Who initiates such a deal depends on circumstances, and the initiator is as likely to be the 'criminal' as the 'legitimate actor'".<sup>99</sup>

Starting as the most closed and repressive country in Eastern Europe under communism, Albania quickly became the "wild East". Poorly paid policemen, a long coast and proximity to Western Europe made it the ideal location for illegal trade, including oil smuggling in violation of U.N. embargo to the war-torn "rump" Yugoslavia.<sup>100</sup>

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<sup>97</sup> Organized Crime Within the Context of Economic Relationships, Growing Threat of International Organized Crime: Hearing Before the Subcommittee on Crime, Second Session, January 25, Serial No.83, US Government Printing Office.

<sup>98</sup> Transition, The First Ten Years, Analysis and Lessons for Eastern Europe and the Former Soviet Union, The World Bank, Washington D.C. 2002, 109

<sup>99</sup> Michael D. Lyman, Gary W. Potter, *Organized Crime*, Third Edition, (Prentice Hall, New Jersey, 2003), p.444.

<sup>100</sup> In July 2000, the author was appointed Minister of Defense of Albania. In a meeting with the then President of the Republic, he was told by the President that during a meeting he had with Croatian Prime Minister the latter had expressed him his thanks on "behalf of the Croatian people" for the "three shiploads of arms" sent to Croatia during the conflict with Serbia. The President asked the



Pyramid schemes are the most flagrant example of these phenomena. The Western press portrayed them as classic pyramid schemes, where investments are repaid with the money provided by an ever-widening group of investors. In fact, the Albanian pyramids were a far more complex organism. First, they involved a very large number of people. An estimated 60% of the population invested approximately \$1.5 billion in the funds, sometimes by selling their property, livestock or family heirlooms. Second, unlike other pyramid schemes that were born and died throughout Eastern Europe since the fall of communism, Albania's schemes managed to thrive for five years. In a country of 3 million, it would seem surprising that enough new investors were found to keep the firms rolling. "Now evidence has emerged that the pyramids stayed afloat because of fresh funds from a variety of illegal sources, some of them deeply involving the government."<sup>101</sup> As a matter of fact, "both the authorities and foreign observers, including IMF, regarded the informal lending companies as benign, and indeed making an important contribution to growth."<sup>102</sup> They engaged in some (usually highly visible) productive investments but in most of the cases, they used borrowed funds to finance criminal activities: smuggling, illegal emigration, drugs, prostitution, and arms trafficking. While the "record on economy and on human rights was not good, everyone said, 'Well, it's a transition. We're in the Balkans.'"<sup>103</sup>

### **3. Organized Crime Merges with the State Machinery**

There are a series of events whose origins date to 1993 that brought about the pyramid schemes crisis of '96-97. Firstly, by late 1993 early 1994, Albania was

Minister to check on the files at the DoD, something that was done, but no documentation was found. Almost all records were destroyed during the '97 crisis.

<sup>101</sup> Janus Bugajski in *Southeast European Reconstruction, Winning or Loosing the Balkans?* states: "Albania is the most dramatic example of how illicit businesses in conditions of economic crisis can trigger political instability. The collapsing pyramid schemes in 1997 not only left masses of Albanians destitute but also undermined the country's security and political stability as public revolt spread through the country", 10.

<sup>102</sup> Chris Jarvis *The Rise and Fall of the Pyramid Schemes in Albania*, IMF Staff papers, Vol. 47, No 1, 2000 International Monetary Fund, 6.

<sup>103</sup> Tracy Wilkinson, *The Los Angeles Times*, Mar. 19, 1997, p 8.

experiencing problems with its economy.<sup>104</sup> Furthermore, two salient events set the stage for the pyramid scheme mania of late 1996: the suspension of the UN sanctions against the Socialist Federal Republic of Yugoslavia in December 1995 and the campaign and outcome of the Albanian parliamentary elections in May 1996.

It was an open secret that throughout the period of the UN sanctions, oil and many other goods were being smuggled through Albania to the SFRY.<sup>105</sup> Some of the largest companies started up as “trading companies” and some of them were licensed to officially trade arms during the period of sanctions, and it is common knowledge that they were generally involved in illegal activities. “Persistent reports [show] that *VEFA*’s investment scheme was designed to launder money from other international activities including sanctions-busting and arms trading...”<sup>106</sup>

Even while the Albanian government was condemning the rump Yugoslav government for its mistreatment of Albanians in Kosovo, a company named *Shqiponja* (The Eagle), run by the ruling Democratic Party (DP), was supplying Yugoslavia with oil through pipelines across the northern border.<sup>107</sup>

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<sup>104</sup> “With GDP stagnant and inflation running at double digit monthly, the average Albanian consumer witnessed his purchasing power decline by 49 percent from the previous 1991 total. By January 1994, the balance of trade deficit reached to 463 million Leks. During the same period, currency devaluation against the US dollar went from L 73.3 per dollar in 1992 to L102.1 per dollar in 1993. Forced to expand its energies upon its crumbling infrastructure to attract foreign investment, the Democratic Party-led government of Prime Minister Aleksander Meksi increased central government spending from L45 million to L65 million between late 1993 and late 1994. The result was a deficit which cut into Albania’s already dwindling foreign hard currency reserves.” Quoted. from *Jane’s Intelligence Review* article “What Brought Anarchy in Albania?” by Guz Xhudo, 1 June 1997, Edition 1997, Volume/issue:009/006, p.2.

<sup>105</sup> Sharon Johnson-Cramer, *The Christian Science Monitor*, Mar 20, 1997, pg.7 writes that “The schemes lasted for a surprising three to five years... because large sums gained from selling weapons to the Serbs during the war in Bosnia were invested in the schemes.”

<sup>106</sup> *Oxford Analytica*, Daily Brief, Albania Pyramid Collapses, 10 Feb. 1997, pg3.

<sup>107</sup> “The bulk of the oil, gasoline, and diesel - plus some JP1 for aircraft - is trucked from the Albanian port of Durres to Lake Scutari on the Albania-Montenegro border. Montenegro, allied with Belgrade, hence the oil can easily be passed on, has an un-policed border with Serbia: just 135 United Nations monitors, based at only 15 of 48 possible fordable locations, cover the 523km of river bank that separates Bosnia and Serbia. About 25 gas stations, with underground tanks holding over 400.000 gallons (1.8 million liters), have sprung up on the Albanian side of the border around the small town of Koplik and these serve as storage points for petrol to be shipped across the lake. An estimated 120.000 gallons (545.000 liters) per day of gasoline and diesel has been trucked into this area in certain weekly periods between January and March 1995. Over one million gallons (4.5 million liters) of JP1 moved into Albania in February, 1995.” Quoted from *International Defense Digest*, in Serbs Get Plenty of Oil, 9. *International Defense Review* 1 July 1995, edition: 1995 volume/issue: 028/007

The *Independent* of London supported charges from the Albanian opposition that the government was involved in these activities also.<sup>108</sup> Andrew Gumbel wrote that drugs barons from Kosovo could operate in Albania with impunity, adding that the transportation of heroin and other drugs was believed to be organized by the Albanian secret police SHIK. He quoted intelligence sources as saying that the chain of command in the rackets probably went all the way to the top.

Moreover, Gumbel wrote that *Shqiponja*, a company holding a monopoly on oil trade, was run directly by the DP and chaired by current Foreign Minister Tritan Shehu. He also quoted allegations in intelligence circles that *Shqiponja* traded in guns and drugs. *Shqiponja* officially closed up shop in January 1996, but there were allegations that its activities still continued. Gumbel further charged that former Interior Minister Agron Musaraj was pressured out of his job in May 1997 amid allegations that he was masterminding the entire drugs racket. According to *The Independent*, the Albanian police, during Musaraj's tenure, made only one significant drug haul, seizing about three kilos of heroin in February 1995. He also quoted allegations that Defense Minister Safet Zhulali had used his office to facilitate the transport of arms, oil and contraband cigarettes. Moreover, he suggested that the biggest of all the schemes, run by Albania's largest private company, *Vefa* Holdings, has funded the DP's election campaigns and was under investigation in Italy for ties to the Mafia. The Albanian opposition already brought up allegations against Musaraj and Zhulali earlier. Former Supreme Court Chief Judge, Zef Brozi once accused Musaraj of "directing a Mafia network and employing despotic methods against arrested people." In 1995, former Defense Minister Perikli Teta, moreover, charged Zhulali with being involved in arms trafficking to Bosnia and published a list of politicians allegedly involved in illicit activities, including oil

Also, shady deals were apparently reached also among senior Albanian officials and Serb criminals. Thus the former Albanian Minister of Interior Luan Rama said in a recent interview that the late Zeljko Raznjatovic, aka Arkan, visited Albania during the war in former Yugoslavia and met with the head of the National Intelligence Service, Bashkim Gazidede. "I state with full official and civic responsibility that Arkan visited Albania," Quoted from the Albanian newspaper *Korrieri*. Aug 2003. According to the same paper the visit took place in 1995 in Shkodër, the largest city in northern Albania. [Arkan, the leader of a paramilitary formation in the former Yugoslavia, sent his troops to Kosovo during the 1999 conflict. He was shot dead in front of a Belgrade hotel in 15 January 2000.]

<sup>108</sup> Andrew Gumbel,, 'The Gangster Regime we Support', *The Independent*, February 14,1997.

smuggling. Already back then the government reacted with a crackdown against journalists reporting Teta's allegations.

The above accusations were substantiated by other sources as well. Thus, Fred Abrahams of American Human Rights Watch, in his article “The Albanian House of Cards” states: “Donkeys tugged barrels of crude oil through the mountains while rickety boats floated their loads across Lake *Shkoder*. The southern city of *Vlora*, the center of the uprising sparked by the collapse of the pyramid schemes, was a center of smuggling activity to Italy and other parts of the Mediterranean. The coast from *Vlora* to the Greek border was the departure point for Albanian-produced arms that appeared in Rwanda and drugs distributed by Albanian families in Switzerland.”<sup>109</sup>

Most obvious, however, was the steady flow of people who sought a better life in the West. A casual stroller along the beach in the South would encounter speed boats packed with Albanians, Kurds and Chinese who paid over \$500 for the three-hour ride across the Adriatic Sea to Italy.<sup>110</sup>

## **B. 1996 PARLIAMENTARY ELECTIONS**

### **1. Democracy Undermined**

The suspension of sanctions ended the smuggling trade. One month later, because a key source of income had disappeared and they needed to attract more funds, the borrowing companies raised their interest rates to 6 per cent a month. The May '96 elections had a more direct impact. In reaction to uncertainty about the prospects of the ruling Democratic Party in the elections, and also to the entry of the new pyramid

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<sup>109</sup> Fred Abrahams, *The Albanian House of Cards*, in *Global Studies, Russia, the Eurasian Republics, and Central/Eastern Europe*, Seventh Edition, 261-66.

Also Jane's magazine confirms that the “self declared state [Somaliland] is reported to have received Kalashnikov assault rifles and ammunition from Albania.” Jane's *Sentinel Security Assessment*, North Africa, 10 Somalia, posted 26 Jun 2002. The same magazine of 11 Mar.2003 referring to the situation in Rwanda in 1994, states: “Goma airport was the only remaining way for the Hutu Power faction to receive weapons, notably from Tirana (Albania) through Tel-Aviv (Israel).” 4.

<sup>110</sup> “With assistance from criminal elements, for false visas, Albanians numbered nearly 300000 in Greece by the end of 1994, according to Greek sources. Indeed, Italian mafia was charging between L350 and L1000 for false visas and Greek passports. Italian interior officials believe that the mafia may also be partly responsible for nearly 70000 Albanians illegally in Italy. They[Albanians] often serve as mules for illicit activities such as drug trafficking and arms smuggling.” Quoted from Jane's *Intelligence Review*, May 1, 1995 Edition 1995, Volume/issue:007/005 by Gus Xhudo, 3.

schemes into the market, the pyramid schemes raised their interest rates again, to 8 percent a month. The outcome of the elections was crucial. During the 26 May 1996 elections, the DP assumed an 'anything goes' posture. Desperate to assure itself an overwhelming victory, it engaged in vote rigging and intimidation that resulted, after the run-off elections, with 122 seats out of 140. With over 400 international election observers in Albania, it was impossible to mask the dubious methods used. The US-based Society for Democratic Culture (SDC) confirmed that threats and intimidation did occur.<sup>111</sup> The general climate of unrest, which eventually led to the large-scale riots and civil insurgency of February and March, can trace its roots to the period immediately following the May 1996 elections. The stage for future unrest was set.

Under such circumstances, with elections widely seen as rigged, the local government elections scheduled for October took on a greatly increased significance. Chris Jarvis, a senior economist in the IMF's Policy Development and Review Department, who has analyzed the pyramid scheme phenomenon in Albania, among other, notes that "In these circumstances, the government did not want to give the people any unpleasant surprises, and the tendency to ignore the growth of the pyramid schemes and hope that problems would never materialize was reinforced."<sup>112</sup>

*Xhaferri* and *Populli* between them attracted close to one million depositors within few months, in a country with a population of three and a half million. In the second half of 1996 mania took hold. In July *Kamberi* raised its interest rates to 10 percent a month. In September, *Populli* began offering over 30 percent a month. In November, *Xhaferri* offered to treble depositors' money in three months (a monthly

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<sup>111</sup> In the Report prepared by the staff of the Commission on Security and Cooperation in Europe on Albania's Parliamentary Elections of 1997 presented to the US Congress Commission on Security and Cooperation in Europe, among others, it has been stated that "Albania's democratic shortcomings culminated in the severely flawed parliamentary elections of May 1996. The results-122 of 140 seats going to the Democratic Party- was a clear signal that pluralism in the country was endangered." *The Present Situation in Albania*, Briefing of the US Congress Commission on Security and Cooperation in Europe, Washington DC, May 23, 1997.

Also, the *Economist* of London of October 26, 1996, Vol.341, Iss.7989, pg.66, reports that "Warren Christopher, America's Secretary of State, admonished him [Berisha] after the parliamentary elections, while another American official in the region said American projects in Albania should be reviewed."

<sup>112</sup> Chris Jarvis, *The Rise and Fall of the Pyramid Schemes in Albania*, *IMF Staff papers*, Vol. 47, No 1, 2000 International Monetary Fund, 9.

equivalent rate of 44 percent) and *Sude* responded with an offer to double the principal in two months (a 41 percent monthly rate). By November 1996, the face value of liabilities had reached US\$ 1.2 billion.

The government did play a key role in encouraging people to invest in the pyramid schemes. “The DP is accused of taking pyramid scheme money to fund its successful parliamentary election campaign... and of benefiting politically from the ‘feel-good factor’, which the initial high payouts created.”<sup>113</sup>

Government ministers promoted the “investment companies,” as they were known, on state television; not surprisingly Albanians interpreted this as a sign of government support. The head of the largest company, VEFA Holding, was Albania's official representative to NATO's North Atlantic Assembly. The current Albanian President was the chairman of the North Atlantic Association, which was lavishly sponsored by the VEFA Company. In January, amidst public doubts of the schemes' legitimacy, former President Sali Berisha, stated on television that the Albanian money is ‘the cleanest in the world.’ This statement had direct impact on the ‘flow of investments’ in schemes. In the Final Report of the Parliamentary Investigation Commission of the Albanian Parliament of July 2003, it is noted that “until the end of February 1996, the schemes had collected from the large public a sum worth around 250 million US dollars. Meanwhile, by the end of October 1996 the level of money ‘invested’ in the pyramid schemes reached a converted amount of 1 billion and 260 million US dollars.”<sup>114</sup>

Other politicians from the president's party (the DP) were less subtle. In some election posters in southern Albania, the names of powerful sponsors-pyramid bosses-appeared beside the names of Democratic Party candidates. One candidate from Vlora in the 1996 parliamentary campaign displayed posters of himself surrounded by the logos of the pyramid schemes over the slogan: ‘With the DP everybody wins’. Senior government officials frequently appeared at functions and parties organized by the companies and, in November 1996, even as the pyramid schemes began to crumble, the Prime Minister and Speaker of Parliament accepted medals to celebrate the fifth anniversary of VEFA, the

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<sup>113</sup> *Oxford Analytica* Daily brief, Albania: Pyramid Collapses, 10 February 1997, 2.

<sup>114</sup> Final Report of the Parliamentary Investigation Commission of the Albanian Parliament of July 2003, 8.

largest company.<sup>115</sup> “Trying to maximize their benefit, the DP avoided any information about the functioning of such structures- in the beginning they ignored, and later forced the governor of the Albanian National Bank to stop warning about the dangers of such structures.”<sup>116</sup>

Although the National Bank of Albania did try to take some steps in blocking the activity by approaching the companies and telling them to get licensed “something that the Governor of the Bank of Albania had no intention of giving them,”<sup>117</sup> the Chief Prosecutor, however, took “the view that the law did not apply to the borrowing companies. Nor was he disposed to investigate the companies for fraud. The Ministry of Justice, for its part, refused to give an interpretation.”<sup>118</sup>

There is strong evidence that the problem was not just a legal one, but one of governance, and the members of the government themselves benefited from and supported the pyramid scheme companies. “Only in Albania did the schemes reach mammoth proportions and operate with the... complicity of the government.”<sup>119</sup> Through all of this, the Government stayed inactive and when it was suggested that some of the companies might be surviving by laundering money for the Italian Mafia,<sup>120</sup> the President

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<sup>115</sup> Ibid., 8.

<sup>116</sup> *The New York Times*, Pyramid Schemes: Albania 1996-1998, 30 Sep.1998.

<sup>117</sup> Chris Jarvis, The Rise and Fall of the Pyramid Schemes in Albania, *IMF Staff papers*, Vol. 47, No 1, 2000 International Monetary Fund, 8.

<sup>118</sup> Ibid.

<sup>119</sup> *The Los Angeles Times*, Feb. 3,1997, pg 1.

<sup>120</sup> “Allegations of Albanian government involvement in illicit trade are not new and have been repeatedly denied by the authorities. The latest series of accusations began following a press conference of Italian national anti- mafia prosecutor Piero Luigi Vigna. Last week he told journalists that Italian organized crime might have been involved in pyramid investment schemes... Vigna said that investigations into the matter had started and that he suspected that the investment companies were laundering money from drugs trafficking and illegal immigrants. He added that Albania had become a marijuana producer and that apparently coca was also being cultivated there. Also he added there was evidence that mobsters from the Puglia, Calabria and Campania regions of southern Italy have linked up with Albanian organized crime. Top police official Alessandro Pansa pointed out that the Camorra was operating similar schemes several years ago in the Naples area, offering 85 percent interest annually. The money was then apparently used to in connection with flourishing contraband cigarette trafficking. According to a Reuters report from 14 February, a financial consultant with close ties to four Albanian pyramids gave another possible source of income for the schemes. He is quoted as saying that under normal circumstances a pyramid could survive only 18 months at most, but that in Albania they went on for years because they were used also to launder money from smuggling oil to Serbia and Montenegro. The agency also quoted diplomatic sources saying, moreover, that arms were routed via Albania into Bosnia. Some economists estimate that Albania made more than \$1million a day in oil

himself came to their defense, arguing that these were legitimate and successful Albanian companies. This tolerance was reflected in the neglect of both the Ministry of Justice and the Ministry of Finance and in the open support of the major companies by the President cynically insisting the scams were a ‘disease of liberty’ that happened ‘because of the respect we have for free initiative’.<sup>121</sup>

Neither set of companies were licensed or subject to supervision, and in the case of the companies that invested on their own behalf, their reputation for involvement in criminal activities made information difficult and even dangerous to obtain.<sup>122</sup>

The IMF and the World Bank did give increasingly strident warnings about the schemes in the course of 1996, but these warnings were not heeded. “Both institutions had expressed concern as far back as December 1994 about the dangers of criminal enterprises operating in the informal market and as a matter of fact the concern was as much about money laundering as about pyramid schemes.”<sup>123</sup>

Under internal and international pressure, in February 1997, the parliament passed a law banning pyramid schemes (but not defining them). However, the government was still trying to maintain the distinction between the companies with real investments and the ‘pure pyramid schemes,’ and it still did not move against the largest schemes.

trade during 1993 and 1994. Much of the money probably wound up in the investment accounts. A Tirana banker, who declined to be named, told Reuters that the last major shipment of dirty money arrived at the start of 1997, with the Mafia paying \$1.5 million to a fund which laundered \$20 million. He is quoted as saying that: ‘The dirty money is plunged into the pyramids and clean money sent out under the guise of bogus import deals,’ adding that ‘it is easy to watch the money clear the system.’ Following the lifting of the U.N. embargo against federal Yugoslavia after the Dayton agreement and stricter controls of the Otranto straits, the pyramids apparently engaged in a ruinous interest rate war, which finally resulted in their collapse.” Quoted from OMRI: (Open Media Research Institute) Pursuing Balkan Peace,<<http://www.omri.cz>> Vol. 2, No. 7, 18 February 1997

Also, in “The Threat Posed by the Convergence of Organized Crime, Drugs, Trafficking and Terrorism”, Ralf Mutschke, notes that “Albanian organized crime also profited from the financial pyramids which they seem to have used to launder money on a large scale. Before the crash, an estimated 500 to 800 million USD seem to have been transferred to accounts of Italian criminal organizations and Albanian partners. This money was then reinvested in Western countries”.

<sup>121</sup> *The Los Angeles Times*, February 3, 1997, pg.1

<sup>122</sup> In 1995, an IMF consultant posed briefly as a potential investor and was quickly warned that this was not safe.” Chris Jarvis, *The Rise and Fall of the Pyramid Schemes in Albania*, *IMF Staff papers*, Vol. 47, No 1, 2000 International Monetary Fund, 6.

<sup>123</sup> *Ibid.*, p.13.



VEFA, for example, was allowed to continue advertising on television during the worst of the violence. In any case, the measures taken by the government proved to be too little, too late. The government's authority, shaky since the May 1996 elections, had evaporated, and on March 8, 1997, it resigned. The Wall Street Journal of that time, referring to the devastating consequences of the pyramid schemes, wrote: "This will just about wipe Albania out... An earthquake would have been better."<sup>124</sup>

## **2. "Albanians Exchange Their Idealism for a Kalashnikov Rifle"<sup>125</sup>**

Indeed, by this time, Albania was in chaos and anarchy bringing the country to the brink of civil war. The country was plunged into a crisis that undermined both the economy and chances for government survival, exposed a false sense of prosperity and led profound questioning of the nominally democratic system that Albania adopted after the belated fall of communism in 1991.

The army and police had mostly deserted. The country was "devastated by riots. Large areas are controlled by bands of marauders. In much of the land there is no state to speak of."<sup>126</sup> The raging anarchy in Albania was both a setback for Albania's democratic developments and a threat to regional security.

When Tirana itself fell into civil disorder the president agreed to hold new parliamentary elections by the end of June, and an all-party interim coalition government led by members of the former opposition Socialist Party was appointed.

New legislation necessitated regulating the situation, however, proved very difficult to enact. Several of the largest companies were still controlled by their operators, and there was great reluctance, especially by members of the outgoing parliament, many of whom were reported to have invested in the schemes, to move firmly against them. There was a further delay while foreign administrators were appointed, and even after this the pyramid scheme owners did not give up, resisting by both legal means

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<sup>124</sup> Frank Robert and King Neil Jr, Albanian Crisis Grows as Rioters in South Loot Federal Arsenals, *Wall Street Journal*, New York, March 5, 1997, A.14.

<sup>125</sup> *The Christian Science Monitor*, Boston, Mass.: July 3, 1997, 5.

<sup>126</sup> Rebuilding Albania, *New York Times*, July 2, 1997, A.22.

(challenging the legislation in the courts) and less savory ones (threats of violence against the administrators). The government's lack of confidence in the courts turned out to be well justified.

In November 1997, the Constitutional Court, whose members had all been appointed by the previous administration, declared the law under which foreign administrators were appointed an unconstitutional infringement of private property rights. Parliament responded by passing the law again as a constitutional amendment.

It may seem remarkable that the pyramid scheme companies should have deposited their funds in state banks that were paying only a fraction of what the companies had to pay depositors, and where they were vulnerable to seizure by the government. The decision to do so appear to have been in part caused by the absence of alternatives in the short term and in part a reflection of the companies' confidence that the government would not interfere with them. Indeed, except in the cases of *Xhaferri* and *Populli*, two of the least politically connected schemes, this confidence turned out to be largely justified.

In the events triggered by their collapse, over 2,000 lives were lost. Thousands more people were impoverished either by their unwise investments in the schemes or by the destruction of their property in the ensuing violence. A government, albeit one of dubious legitimacy, was overthrown. The arms looted during the crisis have been used in armed robberies in Albania and provided a ready source of weapons to Albanian fighters in neighboring Kosovo.

Social, political and/or economic upheavals have always created a climate for crime. The situation allowed the criminal gangs to grow in strength. With no legitimate authority present, the criminal gangs reclaimed speedboats confiscated by the government and re-established the refugee and drug smuggling rings. The widespread lawlessness also brought about a mounting death toll from criminal killings, as well as accidental shootings. During 1996-1997, thirty-four policemen lost their life in fighting criminal gangs. Almost 2000 civilian casualties were also registered. Two hundred and twenty five thousand Albanians lost their life savings in the Pyramid schemes.

By mid March 1997 armories were being looted; evacuation of foreign nationals and mass emigration of Albanians to Italy began. The disintegration of the police and

military forces resulted in widespread availability of weapons.<sup>127</sup> “These are easily purchased or stolen... by criminal gangs and terrorist elements both inside and outside Albania. Another problem is the refugee outflow to Italy and Greece that has increased ethnic tension throughout the region.”<sup>128</sup> As a matter of fact, the DP officials started the opening of army depots and their subsequent looting. The reasons were many but two are most reliable and documented, i.e., to erase all trace of the previously government-sponsored arms trafficking and to arm the DP supporters against rioters. <sup>129</sup>

Italy and Greece were concerned about a repeat of 1991, when thousands of Albanians fled the country during the economic turmoil. Both countries stepped up border control. They were concerned with the danger of mass exodus and that Albania could become the drug capital of Europe.<sup>130</sup>

### 3. Summary

In Albania’s transition to democracy characterized by an environment where state institutions are still fragile, in formation and rendered ineffective by sweeping political

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<sup>127</sup> *Jane’s Intelligence Review*, dated 1 Oct 1997, Volume/Issue: 004/010 states that “the Albanian Army has virtually ceased to exist and police deserted their posts in the face of concerted attacks by gangsters...”

<sup>128</sup> “The Present Situation in Albania”, May 23, 1997, briefing of the US Congress, Commission on Security and Cooperation in Europe, Washington DC, 35.

<sup>129</sup> The *Washington Post* of May 21, 1997 writes:” Mr. Berisha, who was elected in a notably unfair contest last year is accountable. His misrule sheltered criminal pyramid schemes whose collapse provoked citizen revolt. To divert angry mob, he handed out the army’s guns.”

Also *Jane’s Intelligence Review* of 1 Jun 1997, edition 1997 Volume/Issue:009/006 in its article What brought Anarchy in Albania?, states that “Desperate to obtain control, Berisha armed civilians without any checks or safeguards. These militia units claim loyalty to the president, yet in actuality are nothing more than armed thugs with hundreds, if not thousands, of individual agendas.”

Fred Abrahams of Human Rights Watch in his briefing of the US Congress Commission on Security and Cooperation in Europe in May 23, 1997 notes that “The police forces and army disintegrated, and vigilantes armed by Berisha roamed the streets of Tirana”. <http://www.house.gov/csce/>. (14 September 2003).

<sup>130</sup> “European law enforcement officials believed that by 1999 Albanians had become the dominant suppliers of heroin to Norway, Sweden, southern Germany, and Switzerland. In addition, by 1999, Albanian crime syndicates were challenging the hegemony of Italian syndicates in heroin trafficking and alien smuggling in Italy...According to Italian law enforcement, the Albanians had literally taken illicit trade in women and children away from traditional Italian syndicates in Italy itself by the year 2000.” Michael D. Lyman, and Gary W. Potter *Organized Crime*, -3<sup>rd</sup> ed., 376.

Also, The *Los Angeles Times* of March 5, 1997, pg.8 notes “The United States and Albania’s nearest neighbors are watching events with rising anxiety.”

change, criminal enterprise has been quick to fill in the vacuums. These non-state actors when merged with state and politics lead to problems of global ungovernability and subsequently threatened the very existence of the state both through 'indirect erosion' and 'direct attacks'. Consequently, this led to what is known as the weak state syndrome, i.e. severely incapacitating the state to perform its major functions. The phenomenon of the pyramid schemes in Albania is a clear example of the combination of such elements leading to a failed state.

This chapter intended to make it clear that organized crime is such a potent threat to the national security of a country because of the complicity and collusion of government structures in organized crime activities. Organized crime itself infiltrated the government, assumed governmental functions, and subsequently neutralized law enforcement. It eventually undermined democratic institutions, security and law enforcement structures and the transition to a free market economy.

Organized crime is not simply a result of lax or corrupt police practices. These practices definitely contribute to the growth of the organized crime, but the unseen manipulations in the political and legal arenas share a major responsibility. For us to understand why organized crime thrives in a chaotic situation and why it cannot be easily controlled, the link to political influence must be shown. Through the illustrations of political influence exemplified in the parliamentary elections of May 1996, this chapter intended to raise awareness of the tenacious grip that corrupt politics has on the entire society in general and security institutions in particular.

This chapter strives to reveal the fact that poor governance laid at the heart of the pyramid scheme phenomenon. There were corrupt relationships between the companies' operators and the highest levels of the Albanian government, and these relationships both prevented government agencies from taking action against the companies and disguised from investors how insecure the companies were. Scars of the crisis still remain; the social effects of the Albanian pyramid scheme phenomenon have been considerable.<sup>131</sup>

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<sup>131</sup> The Parliamentary Investigation Commission of the Albanian Parliament in its Final Report of July 2003 concludes that the current loss of the total of 225 thousand 'creditors' in the pyramid schemes is around 830 million US dollars, p14.

Another element touched upon in this chapter, is the fact that the legal system is closely related to the political governing element. An understanding of the legal system's role in organized crime control is important for citizens and law-enforcement agencies alike. The politicization of the Judiciary, its intentional complicity with a corrupt political class in handling the pyramid schemes crisis the way it did, reveals the scope of repercussions that ensued.

Corruption, misrule and merging of crime with the state machinery did undermine the integrity of basic state institutions. It practically turned Albania into an 'anocracy' where democratic and autocratic features were mixed.

Guidance and positive pressure from international community is of vital importance as whistleblowers and guarantors of democratic standards applied by government in transition countries. Unfortunately, in the Albanian case the '*laissez faire*' policy, the non-adoption of a shrewd embargo policy vis-à-vis Yugoslavia, initially adopted by international community with regard to the political class in Albania and an obvious neglect to demand for democratic standards was another element contributing to the situation that developed in Albania during 1996-1997 period.

The Albanian crisis risked having a Balkan spill over. About one-third of Albania's budget came from Western foreign aid. The political leverage implicit was that vital resources had to be used now to forestall a new Balkan crisis. However, complete civil war and anarchy were averted only with international intervention, which included the mediating efforts of the OSCE, the deployment of a multinational protection force to secure humanitarian aid deliveries, and close supervision of preparations for new elections.

Finally and most importantly, of great significance are effects on confidence in Albania. It did shake the confidence of the people in the institution of vote. Before the crisis, Albania was a strikingly confident place: poor, beset already by serious problems of governance and growing economic problems, but also conscious and proud of having made enormous strides since the overthrow of Communism. Albania became a place where the denial of democratic principles and human rights thwarted any sense of citizenship and statehood. For some years after the crisis Albania was a much more subdued place. Confidence in the institutions of government was low, crime and

corruption infringed on most people's lives. The resilience of the Albanian people is considerable, and it has been more severely tested in the past. But the pyramid scheme phenomenon was a sobering setback for Albania, a powerful reminder of the social costs of unchecked criminality.

## **V. REVIEW OF FINDINGS AND POLICY RECOMMENDATIONS**

### **A. REVIEW OF FINDINGS**

Organized crime groups, as we have noted through this thesis, exploit the failure of state legal institutions to coordinate activities to fight them. Moreover, corruption and misrule have undermined the Albanian state. The institutionalized corruption has facilitated the rise of drug trafficking and other criminal activities. This highly profitable illicit activity has, in turn, exacerbated the existing corruption and undermined the integrity of basic state institutions. Thus the state has been unable to protect the Albanian citizen because it has been compromised by or collusive with organized crime groups. This process has been facilitated by the inadequacy of legal mechanisms.

Albanian organized crime groups have managed to infiltrate the government, assumed governmental functions and neutralized law enforcement. They have managed to undermine democratic institutions and the transition to a normal free-market economy. Thus democracy is limited and the state has become impotent.

The massive migration of the Albanians throughout the 1990s to the Western counties is a phenomenon that provided Albanian organized crime groups enormous profiting possibilities by facilitating the illegal movement of hundreds of thousands of Albanians in the host counties. Yet even when these people obtain the legitimate right to residence and work in their new country, they often cannot escape the intimidation of the long arm of organized crime. An example is the Albanian prostitutes in Western Europe who are compelled to stay in prostitution because enforcers from Albania threaten them and their families. These emigrants are still living in fear because the democracy in which they live is unable to protect them.

Therefore, if a core characteristic of the state is its “monopoly over the legitimate use of physical force in the enforcement of order” (as emphasized in Weberian definitions of the state), then any erosion of that monopoly implies not only that state power is being challenged but also that the state’s very existence is at risk.

Thus, Friman and Andreas note that “the proliferation of non-state violence, a threat to state authority in and of itself, begins to erode civil society as people question

the ability of state officials to offer protection, further undermining the authority of the state.”<sup>132</sup> In some cases, criminal organizations are better equipped with weaponry than the state agencies charged to curtail them, as was the case of the weapons looted from the Albanian Army depots in 1997.

Organized crime through bribes and coercion corrupts the already weakened institutions. Most saliently this is revealed in the case of law enforcement agencies and the legal system in general. Even when the state has managed to convict and incarcerate members of organized crime groups, its efforts often have proven to be ineffective because the resources of the criminals permit them to bribe even top officials, who then can influence the decisions of the judiciary.

Unpunished violence by organized crime groups is perhaps the most visible sign of state impotence. Individuals often rightfully believe that law enforcement is incapable or unwilling to protect them from the retaliation of the organized crime. Therefore, citizens will not report crimes committed by organized crime nor will they serve as witnesses.

Organized crime groups, by corrupting the state, undermine its credibility and lessen its responsibility to its citizens. Moreover, the collusion of organized crime with international terrorism constitutes a most recent serious challenge to state authority and national security at the same time. Organized crime thus intimidates individuals, promotes violence, corrupts governmental structures, limits free markets, circumscribes expression, and undermines the rule of law. Weak and collusive governments are unable and unwilling to address the transnational organized crime problem.

As criminal organizations begin to understand the extent of their influence and power, it is not too large a leap to assume that these organizations will realize that they may be able to do more than neutralize governments. They may be able to replace them. In general, however, this seems unlikely. Criminal organizations do not wish to be sovereignty bounded. Criminal organizations challenge aspects of state sovereignty and security that have traditionally been taken for granted. They prove the permeability of borders nominally under the control of states. “In the new security environment cross-

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<sup>132</sup> Richard Friman and Peters Andreas “Introduction: International Relations and the Illicit Global Economy” in *The illicit global economy and state power*, Friman and Andreas eds. (Rowman & Littlefield Publishers, 1999), 13.



border law evasions rather than military invasions increasingly dominate state concerns.”<sup>133</sup> Therefore, governments retain sovereignty, but if they are unable to control the importation of guns, drugs, and people from and into their territory, sovereignty loses much of its significance. Sovereignty may retain its utility as a basis for diplomacy in the international society of states, but it no longer reflects real control over territory. Although the main purpose of the criminal organizations is profit, an inevitable by-product is an implicit challenge to authority and sovereignty. The threat to state sovereignty and authority is insidious rather than direct: It is not a threat to the military strength of the state but it is a challenge to the prerogatives that are an integral part of statehood.

Moreover, the increase of the Albanian organized crime groups activities both in Albania and abroad, has slowed and sullied the efforts of Albania to integrate in the EU and NATO structures and has led to Albania being almost branded as a rogue state.

Organized crime groups operate in a complex web of interrelated and tangled environments. They are affected by the opportunities and constraints of the market, the legal system, politics, “upperworld” commerce, and the community in which they operate. Most attempts to analyze organized crime tend, however, to focus almost exclusively on the “criminal” aspect of organized crime. The “organized” aspects are, however, reflected more fully in relations with other social institutions. Traditionally, analyses of organized crime have concentrated on the deviance of organized crime rather than on the institutionalized and normative aspects. This emphasis obscures the perception of the degree to which the structure of Albania’s law and politics and weak institutions create and perpetuate criminal enterprises. In many areas, state political structures have found it easier to deal with the existing (if illegal) power brokers in the form of organized crime, rather than try and undermine those criminals through the law enforcement. In return for a blind eye turned to their activities, criminals could mobilize votes and money for politicians. The linkage between organized crime and political parties is a recurring theme. One of the main purposes of this thesis, thus, has been to reveal the reciprocal link between organized crime and the upperworld.

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<sup>133</sup> Ibid., 2.

Evidence provided in this thesis shows that in order to understand organized crime we must first understand its social context. That social context is defined by two recurring themes running through the organization of crime: official corruption and the exigencies of the political economy. The evidence is compelling that organized crime should not be conceptualized simply as a dysfunction in the society but as part and parcel of the existing political, economic system. This point of view has compelling implications. The argument advanced here cautions policymakers to attack the right targets in their battle against organized crime.

The existence of illicit drug dealers, arms and human traffickers, loan sharks, and other illegal entrepreneurs is due to the fact that the legitimate marketplace leaves a number of potential “customers” un-served. The quest of Albanians for a better life and their subsequent efforts to illegally migrate to the West (because of impossibility of acquiring entry visas) is a case in point. The Albanian Government has failed to persuade European countries to follow a more tolerant visa policy towards the Albanians, hence a much demanded commodity is unavailable through lawful channels.

Control of organized crime is achieved only by understanding and learning how to reduce the domain of the illicit entrepreneur and a deeper analysis of the dynamics that nurture its illicit activities. Any control strategy that fails to recognize the importance of organized crime’s political and economic links is doomed to failure. So rather than directing enforcement efforts at specific individuals or groups, a realistic view of organized crime points to the importance of regulation and oversight in both the economic and political communities.

There is little reason to believe that powerful political and economic interests that profit handsomely from organized crime are suddenly likely to adopt effective measures to curtail what is a major source of wealth in Albania. But once those political and business entities can be kept in check through a system of regulation and scrutinization, control of organized crime will become more of a reality than an illusion.

Furthermore, not all states oppose the activities of organized crime. Alliances of convenience between states and criminal organizations could pose serious security threats, especially from those trafficking in weapons, in particular nuclear and chemical materials. As soon as a trafficking network is functioning effectively, product

diversification is easy. Organizations that deal in drugs can also traffic in technology and components for weapons of mass destruction. Whether the recipients of such transfers are terrorist groups or states, the link between criminal activities and security is obvious.

The international link leads us to the notion of transnational organized crime that recently has become increasingly associated with security considerations. This trend peaked with the US President Bill Clinton defining the fight against organized crime as a national security priority. Previously the United States had identified drug trafficking as a national security threat. "In the national security lexicon, a threat is by definition external; its alien provenance is indeed how one begins to know it is a threat." <sup>134</sup> We therefore must not underestimate the scope and magnitude of this threat. The evidence that criminal activity today is borderless, lucrative, powerful, and threatening is indeed alarming. Thus, for instance, Wendy Chamberlin, Principal Deputy Assistant Secretary, Bureau for International Narcotics and Law Enforcement Affairs notes that "Colombian cocaine traffickers negotiate poly-drug transactions with Nigerian and Russian partners from five-star hotels in Albania. They do business across many borders, often times with impunity." <sup>135</sup>

Former US Attorney General, Janet Reno noted at the 1999 G-8 Ministerial in Moscow that "transnational organized crime has changed the way we think about sovereign boundaries."<sup>136</sup> Quite simply she was saying, to be effective, the response must also be global. Law enforcement agencies throughout the world must act cooperatively.

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<sup>134</sup> Monica Serrano "Transnational Organized Crime and International Security: Business as Usual?" in *Transnational Organized Crime and International Security: Business as Usual?* Mats Berdal and Monica Serrano eds. (Lynne Rienner Publishers, 2002), 28

<sup>135</sup> Wendy Chamberlain, Principal Deputy Assistant Secretary, Bureau for International Narcotics and Law Enforcement Affairs in "*Intensifying the Fight Against Transnational Organized Crime*", Remarks at the European Union-United States Conference on Strategies to Combat Transnational Organized Crime Ghent, Belgium January 23, 2001.

<sup>136</sup> Remarks by Janet Reno, US Attorney General at the 1999 G-8 Ministerial in Moscow, quoted in *Intensifying the Fight Against Transnational Organized Crime* by Wendy Chamberlain, Principal Deputy Assistant Secretary, Bureau for International Narcotics and Law Enforcement Affairs.

The Albanian government's responses to date are characterized more by rhetoric than substance, while those initiatives that have been taken reflect a basic misunderstanding of the causes, dynamics, and consequences of the criminal sector in the country. There is a simple explanation to this: no indepth analysis has been carried out so far. Consequently policies have tended to be reactive rather than pro active.

There have been some indications that the Albanian government has woken up to the growing threat. Thus far, however, the government has done too little, too late with the result that it has been no match for the mafia. There are several reasons for this:

- First, organized crime, thanks to the corruption of the bureaucratic apparatus and to the constant powerful financial infusions it received from its activities is capable of “buying” any police authority, procurator or judge.
- Second, law enforcement organs, for various reasons, were deprived of many of their most experienced professionals. One of these reasons was the allure of the commercial sector, which often provided these professionals with income several times their meager salaries.
- Third, although the government is continually restructuring and reorganizing law enforcement agencies, a truly serious reform that would improve their work has simply not occurred. The resulting tensions, distractions, and demotions demoralize the ranks. Moreover, Albania does not have an independent judiciary and no way of tackling more sophisticated varieties of white-collar crime.
- Fourth, because it is able to operate with such a high degree of impunity, organized crime has become a major impediment to the development of the civil society.
- Fifth, it is also clear that organized crime has supplanted many of the functions of the state. For instance, organized crime provides many of the services that citizens expect from the state, the most salient and dramatic example is the ability to provide for the commodity of “freedom of movement” abroad, a commodity which the government has not been able to provide for.

## B. POLICY RECOMMENDATIONS

The way we conceptualize and understand organized crime prescribes the means selected to control it. Detailed policy alternatives are beyond the scope of this thesis, but several thematic departures from the present situation can be suggested. Specific policies directed at corruption, money laundering, drug and human trafficking, arm possession, and the strategic selection of law enforcement targets and policies directed at market demand can be suggested.

Thus, organized crime fighting in Albania is more than a matter of just law enforcement: it should include at least four categories of initiatives- political, law enforcement, social/grassroots and international.

The anti mafia struggle is a global one in which Albania badly needs the help and the encouragement of EU and other international partners. At the same time it is a struggle that requires the individual citizen to play his or her part. As the Italian icon judge Giovanni Falcone, assassinated by the Mafia in 1992 once wrote, "Fortified by our experiences, both positive and negative, we must move forward, but not with empty rhetoric, and no longer relying on the extraordinary commitment of a few but on the ordinary commitment of everyone of us, in a struggle which is, above all, one for a civilized society, and which can and must be won."<sup>137</sup> In fact, the ultimate solution to organized crime will not be achieved through enforcement alone. Efforts must be directed toward reducing society's desire to indulge in and sanction these types of criminal activity. Thus, one premise for the suppression of organized criminal activities is to recognize that lack of awareness and concern by the public is organized crime's greatest ally. The efforts of the society directed toward controlling organized crime activities will be doomed to failure unless the public is made aware of the magnitude of threat of organized crime. Publicity and exposure of illegal activities is one of the surest ways to dry up sources of revenue for an organization engaged in criminal activities.

There is a great discrepancy in what society purports to believe and what it does. Consequently, there are many who, although espousing morality, are inclined to engage in illegal activities. Therefore, a new national image of what the Albanian society is

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<sup>137</sup> Giovanni Falcone, *Interventi e Proposte* (1982-1992) (Milan: Sansoni Editore, 1994) pp.343-344. Quoted in *Anti Mafia Efforts in Italy 1992-1997* by Alison Jamieson. Source: *Studies in Conflict & Terrorism*, Jul-Sep 98, Vol.21 Issue 3.

going to be will have to emerge. Should our society hold to the image that social, political and economic power might be derived from “any source”, the cherished norms and ethic of morality as presently perceived will wither and vanish.

Sound institution building is a key ingredient in coping with the organized crime phenomenon. We should thus target building a cadre of corruption-resistant officials, legislators, judges, prosecutors, investigators, and regulators who can develop and enforce the type of complex laws necessary to prosecute large and sophisticated crime networks. These institution-building efforts should focus on developing all elements of an effective criminal justice system, including police, prosecutors, and judges. Through training and technical assistance we should highlight methods to combat criminal enterprises, including alien smuggling, drug trafficking, money laundering, and financial crimes. We should conduct training, provide equipment, draft coherent criminal codes, create enforceable codes of ethics, and develop professional legal and law enforcement institutions.

Thus at the law enforcement level, a whole cadre of young officers should be created. They should be, at a minimum, high school graduates who have completed their military obligation. These young police officers should be trained in an American type police academy and upon graduation assigned as patrol level officers. Experience and additional training should allow them to move forward in their careers based on their accomplishments and testing. The present system of having a special school of higher education for officers precludes outstanding and ambitious young police officers from moving into positions of leadership.

Policing should be an apolitical issue, and police chiefs should be able to resist any political involvement in their operation without fear of demotion.

Also, a better coordination among law enforcing agencies is a must. To this end, the current Anti Organized Crime unit at the Ministry of Public Order (MoPO) of Albania should be formally constituted by parliamentary law as an urgent response to the need for a better coordination and greater professionalism in anti organized crime investigations. Although it is part of the MoPO, it should be conceived as an interagency body envisaged as the principal repository of expertise in the area of organized crime. It should have at least three sections, namely preventive investigations, judicial investigations, and

international relations. It should be the principal office with responsibilities for preventing infiltration into public institutions, for carrying out asset tracing investigations and for implementing operations that might arise from these. The head of the unit should receive reports from the intelligence services as well as expert forensic and ballistic reports and should be responsible for the coordination of all preventive investigations for all the police forces in the area of organized crime. The agent functioning under this unit should be part of the judicial police unlike intelligence agents, and should be obliged to inform judicial authorities immediately when a crime has been committed. It is important that the unit, by law, should be financially independent.

Another missing institution that should be created is the General Council of anti Organized Crime Fighting. The Minister of Public Order should head this body. Its members should include the chief of police, the heads of the financial and customs police and the directors of the domestic and military intelligence services. The head of this anti-organized crime unit should also be a designated participant. This body should be responsible for the overall anti-crime strategies, setting the objectives to be reached for each force, the rationalization of resources and instruments available to fight organized crime, and evaluate the results, with proposals for improvement.

A credible witness protection scheme must be established. Given the fact that in Albania there is a small population and it has close kin-networks, government authorities should view the possibility of third country repatriation.

Following the experience of Western democracies that have had to cope with the organized crime phenomenon, the Albanian parliament should create an Anti Organized Crime Commission. The composition of the commission should be all encompassing, i.e. including members from all political parties. Its task should be to study the phenomenon of organized crime and to evaluate the appropriateness of the existing measures, legislatively and administratively, against results. The Commission should have judicial powers in that it could instruct the judicial police to carry out investigations, it could ask for copies of court proceedings, and it should be entitled to ask for any form of collaboration its members would deem necessary. Those who provide testimony to the Commission should be obliged to tell the truth. The Commission should report to the Parliament as often as desired, but at least on an annual basis.

Parliamentary immunity oils the criminal-political nexus. Thus immunity should be awarded only to the extent that it is essential for parliamentarians and ministers to carry out their duties.

Political party funding also needs to be addressed. Much political party funding is opaque and representatives of different political parties are assumed to take money from shady sources.

In exploring solutions, we talk about the importance of information sharing. But this doesn't just happen automatically, and it doesn't encompass all the opportunities for cooperation. The solution, in part, is to negotiate a wide framework of agreements such as Mutual Legal Assistance and Extradition Treaties to facilitate exchanges. The countries of the Southeastern Europe need therefore, to take a balanced approach gathering and collating criminal intelligence. Operations should be based on accurate threat assessment, not on political or media priorities. The Vlora International Anti Trafficking Center<sup>138</sup> is a useful institution that could serve as the mechanism to implement the above idea.

It is with this backdrop that crime becomes a diplomatic concern. Diplomacy can create that environment of international norms and procedures. Diplomacy can be used to promote political will and develop cooperation. Diplomacy can establish guidelines and broader frameworks for cooperation. In this framework, a better coordination is required between the Albanian law enforcing agencies and foreign partners such as EU assistance missions, but also those missions operating under bilateral agreements such as the Italian, Greek, German and American ones. The first necessary step to achieve an efficient cooperation is by establishing a culture of trust among these agencies, which for the moment is missing. To that goal the Albanian authorities must prove that they are serious and dedicated in the fight against organized crime. They should, through deeds, prove that they are impartial and not advancing political agendas of the ruling party. On the other side, foreign missions assisting Albanian law enforcing agencies should work better in terms of information sharing and particularly providing technical assistance.

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<sup>138</sup> In March 2001 the Ministers of Interior of Albania, Germany, Italy and Greece, at the initiative of the Albanian Minister of Public Order, gathered in Tirana and decided the establishment of the Vlora International Anti-Trafficking Center, conceived as an intelligence analysis and policy-making center in the fight against illegal trafficking of all kinds.



We won't find a single easy solution or silver bullet. But I am confident that by taking decisive measures and, most importantly, showing a strong political will to fight organized crime, we will be able to fight efficiently against it and put those syndicates, once and for all, on the defensive. The social, economic, and political stakes are simply too high to do otherwise.

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